# THE STATE OF TECH in AFRICA

AFRICARENA
THE AFRICAN TECH ECOSYSTEM ACCELERATOR

2024

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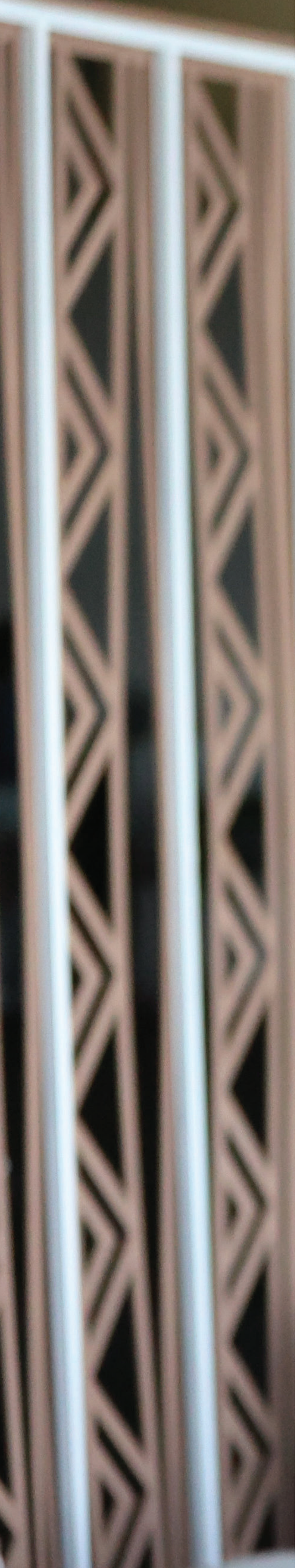
## A DECADE IN THE MAKING



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DIGITAL COLLECTIVE AFRICA

AVCA The African Private Capital Association

EAVCA East Africa Venture Capital Association

SAVCA SOUTHERN AFRICAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

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# Foreword

Launched in Cape Town, South Africa in 2017, AfricArena supports the creation of market access and investment opportunities for its ever-increasing community of tech startup founders, angels, incubators and accelerators, corporates and venture capital (VC) investors. AfricArena produces research content, hosts both digital and in-person events, and operates a digital platform all of which provides over $300 million worth of opportunities/exposure to African tech founders.

### The AfricArena Tour

Throughout the year, the AfricArena Tour hosts digital and face to face events in the US, Europe, Asia and across Africa, fostering the availability of capital to African tech founders by showcasing the best Seed, Series A and Series B startups in Africa.

### The AfricArena Summit

At the end of every year, the AfricArena Grand Summit sees tech startup founders, corporates and investors gathering in Cape Town; the home of the African tech community, to share ideas, take part in pitches, hear and thought-leaders share their insights, and participate in several collaborative side events such as the AfricArena Founders Boostcamp and AfricArena VC Unconference.

### Innovation and Ecosystem Challenges

All year round, AfricArena and its corporate and institutional partners run +/- 10 open innovation and ecosystem challenges to identify high-potential startups at various maturity levels. Over the past seven years companies, having been selected through the tour events to pitch at the AfricArena Summit, have subsequently raised over $500 million in funding.

### Research

Through its Research and Editorial team AfricArena provides knowledge and insights via its weekly content including articles, podcasts and research papers, all of which are available on the AfricArena Wired mobile applications, both on iOS and Android and on its website www.africarena.com.

### Purpose of this report

This AfricArena State of Tech in Africa report, issued annually, aims at providing all interested parties with insights and knowledge about the trends seen in the African tech sector. Its goal is not to add another set of analytics, but rather to add value by telling some of the key stories behind the numbers, and making sense of the underlying trends. We hope this is a valuable read for anyone interested in the developments and potential of the African tech ecosystem. We constantly strive to learn and improve, so please do not hesitate to engage with us!

***We constantly strive to learn and improve, so please do not hesitate to engage with us!***

Thomas Hart | Dan Mabbyalas
Nathaniel Witbooi | Christophe Viarnaud
Kgosi Leballo | Jabulile Ngwenya

# Executive Summary

For venture capital funds and tech startups across the world, 2023 was a fundraising winter in which fundraising and investments into new technologies and businesses decreased compared to the surges of 2021 and 2022. With venture capital funds holding onto their investment capital, tech startups across the world found it hard to keep a float and operate at the level of previous years and thus 2023 was the year of tech staff layoffs in the tens of thousands. What was the impact of 2023's global winter in venture capital fundraising on the African continent's tech ecosystem and what were the defining trends and deals of 2023 for tech in Africa?

Operating at the intersection of tech startups, major corporations & investors, AfricArena draws on the insights from experts, researchers, venture capital investors and ecosystem partners on trends that define the state of tech in Africa for 2023. The report delves into the state of tech innovation in Africa, the most dynamic sectors, the main challenges & opportunities for the startup founders, how corporations utilize open innovation approaches, the investment landscape, and much more.

In the first chapter of the State of Tech in Africa report, we unpack data between three investment and deal reports on Africa; Big Deal report (2024), Partech's 2023 Africa Tech Venture Capital report and Briter Bridge's Africa 2023 Investment Report. Data is presented and discussed looking back 10 years of investment into the African tech sector reflects on the 30% decrease in the light of the global market downturn that took shape in 2022 and the ripple effect it had on Africa in 2023. Yet, through analysis Africa still punches through as a promising emerging tech market that is resilient and has the potential for a return on investment for foreign capital funders.

In the second chapter of the report, we delve into analysis of Africa's tech ecosystem and the top performing countries in Africa housing the best tech startups and support structures for deal flow and investment. The Big Four tech ecosystems of Africa, Nigeria, Kenya, Egypt and South Africa still dominate the rest of Africa in deals and investments. However a notable shift in regional dominance has unfolded in 2023, signifying a significant rebalancing across the continent. Eastern Africa has emerged as the frontrunner, attracting a substantial $880 million in startup investments, commanding 31% of the total funding. North Africa secures the second position, garnering $670 million and marking its ascent in attractiveness. Southern Africa holds the third position, demonstrating moderate yet positive growth, while Western Africa, which formerly held the top spot, experiences a significant decline to rank fourth, with only 23% of the total funding, indicating a noteworthy shift in its worth performance. The shifting of positions to Africa's best tech investment destinations has balanced out the continent with the Big Four ecosystems of Nigeria, Egypt, Kenya and South Africa all fairly equal in size and output of innovation.

# Executive Summary

Following the analysis into the tech ecosystem of Africa, the third chapter of the report takes a look at the top trending tech sectors of Africa. With the downturn in the global economy that affected investments and deals across the world and in Africa, most of the notable sectors in Africa were affected and had declines in growth. Fintech took the hardest knock with many mature fintech startups conducting staff layoffs during 2023 and one and two heavily investment fintech startups announcing closures. However, there were some tech sectors in Africa that were more resilient during the year such as healthtech that actually grew in investments during the year and the climate related tech sectors of cleantech, agritech and climate tech. With the emergence of Artificial Intelligence (AI) technologies in 2023, we also look at how AI will affect these sectors going into 2024.

At the end of 2022, AfricArena and Digital Collective Africa announced a continental Gender Pledge for investors to make a commitment to increase their investments into female founded tech startups in Africa. In addition to this, AfricArena launched a FemTech Innovation Challenge at all its African tour summits in partnership in AWS. Thus, in relation to these events, the fourth chapter of the report takes an overview of investments and deals secured by female founded startups in Africa for 2023 and progress made in trying to increase the support of female founders on the continent in order to grow their representation in deals made. Within the chapter we look into the challenges and barriers that female founders face in Africa, the gender gap and what measures are in place to close the gap, the breakdown of investments into female founded startups during 2023 and what the future holds for female tech entrepreneurs in securing deals and investment.

As AfricArena, we host a number of venture capital events for investors, GPs, LPs and DFIs in partnership with the Digital Collective Africa (DCA) called VC Unconferences in which we run roundtable discussions on the latest trends, issues and policies affecting investment in the tech sector in Africa. From these VC Unconferences, guidelines, toolkits and reports are drafted up by the AfricArena and the DCA teams and partners in the objective that they will be used to better investments, deals and innovation on the African continent between venture capitalists and African startups. Thus, in the fifth chapter of the report, we take an overview of the work done by Digital Collective Africa during 2023 in which one discusses the key subject matters of the year that came from the roundtable discussions at the VC Unconferences. The key output of the VC Unconference that will be discussed are how to develop a playbook for investing and scaling in Africa; the state of investment in AI and Deep Tech in Africa; debt financing; funding and liquidity options for African tech startups; investor and startup governance, corporate investing and the DCA gender pledge.

# Executive Summary

In the last chapter, the conclusion, we discuss the predictions in investments and deals for the African tech sector going into 2024 and 2025 as well as beyond. In this concluding chapter we present our basis on the future trends of venture capital and debt investment and deals in Africa where we foresee that both equity and debt will remain flat in the first half of the year, and expect the growth to resume sometime in Q2 2024. We believe there will be an increase in activity on the M&A side from corporates or mature startups looking to scale up operations and strategies. For the year 2024 and beyond, we discuss why we foresee the total investment into Africa being between $4.2 to $5 billion and that by 2025 it will be at a upper rang of $7.5 billion with an expected growth of 35% to 50%

SECTION 1

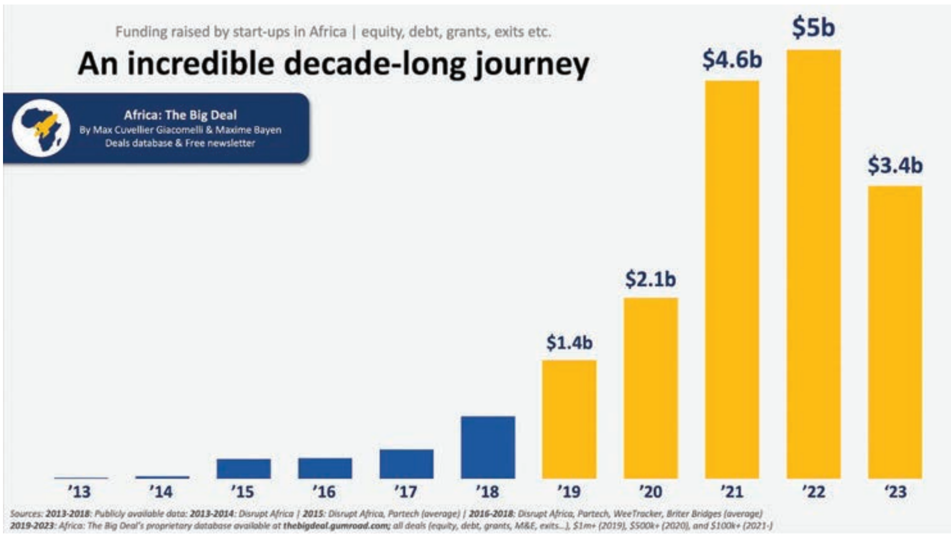
# 2023 - What happened with the Numbers?

This section aims to unpack the data between the variations of deals on the African Continent that are represented in The Big Deal, Briter Bridges and Partech 2023 Reports. We aim to unpack the 10 year long journey of investments on the African continent reflecting on the 30% decrease in the light of the Global Market Downturn that took shape in 2022 and the ripple effect it had on Africa in 2023. Africa still sits amongst one of the most promising future emerging tech continents with tremendous potential for foreign capital funders. We aim to showcase this potential and give a macro perspective on the growth Africa has experienced over the past 10 years before reflecting on the 2023 investment year.

1.1

## The Numbers: A Decade in the Making

Distinguishing between the various investment reports, namely Africa: The Big Deal, Briter Bridges and Partech.




*Source: Big Deal 2023*

The biggest differentiator between the reports are the conflicting numbers for the total funding for 2023.

According to Maxime Bayen, co-founder of Africa: The Big Deal, “Concerning the differences of startup funding figures in Africa between Africa: The Big Deal and Briter Bridges, most of the delta in the total figures ( $3.4B for Africa: The Big Deal / $4.1B for Briter Bridges) comes from three deals that we decided to not include Zipline $330M (Series F); Husk Power $103M (Series D) and Terrapay $100M (Series B).

“We excluded these three deals as those are non-Africa headquartered companies, with 80% - 95% of their staff outside Africa, and entire management (and founders) outside Africa (and not from Africa). This is our methodology, others have different ones and that works perfectly.”

**Exploring Novel Avenues for Financing Growth: The Rise of Debt Funding in Africa’s Startup Ecosystem**

A recent report,  Partech’s 2023 Africa Tech Venture Capital report revealed a decline in total venture capital (VC) funding for African startups, with equity investment dropping by 54% and debt funding seeing a year overyear (YoY) decrease of 22%. However, despite the funding slowdown, there has been a slight, yet significant increase in the number of debt deals, which have become a popular, alternative source of capital for many venture-backed businesses.

Briter Bridges’ data in their Africa 2023 Investment Report paints a similar picture, with a decline in deal volume from the previous year, but an increase in the number of deals, primarily due to early-stage activity and venture studios.

The Africa: The Big Deal team sheds light on a total of $2.9 billion in funding raised last year, taking into account all types of funding, including debt, equity, and grants. While equity funding decreased by 57%, debt funding saw a 47% increase, indicating a shift in the funding landscape.

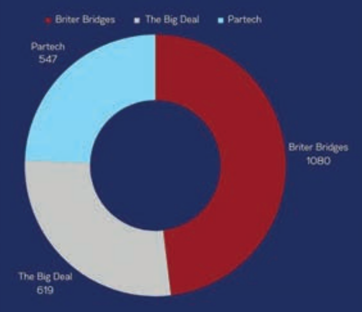
This trend bodes well for startups, who have long been seeking alternative financing options. The rise of debt funding presents a positive development, as noted by Africa: The Big Deal co-founder Maxime Bayen.

# OVERVIEW

## THE REPORTS

| | BRITER BRIDGES | partech | Report Methodology |
|---|---|---|---|
| Equity, Grant and Debt | Primary Sources: public and Disclosed Deals - Secondary Sources: Public directories, media articles, company announcements, company websites | only equity or debt rounds that are $200K or above. This means our focus is on Late Seed (Seed+) to Growth stage equity & debt rounds. | What deals do they Track? |
| Pan-African exclusive of non-Africa headquartered companies, with 80% - 95% of their staff outside Africa, and entire management (and founders) outside Africa (and not from Africa). | The coverage is limited to the primary African HQ of the company, its worth noting that | African startups whose main market is within the continent, even if they expand globally. | Geography Focus |

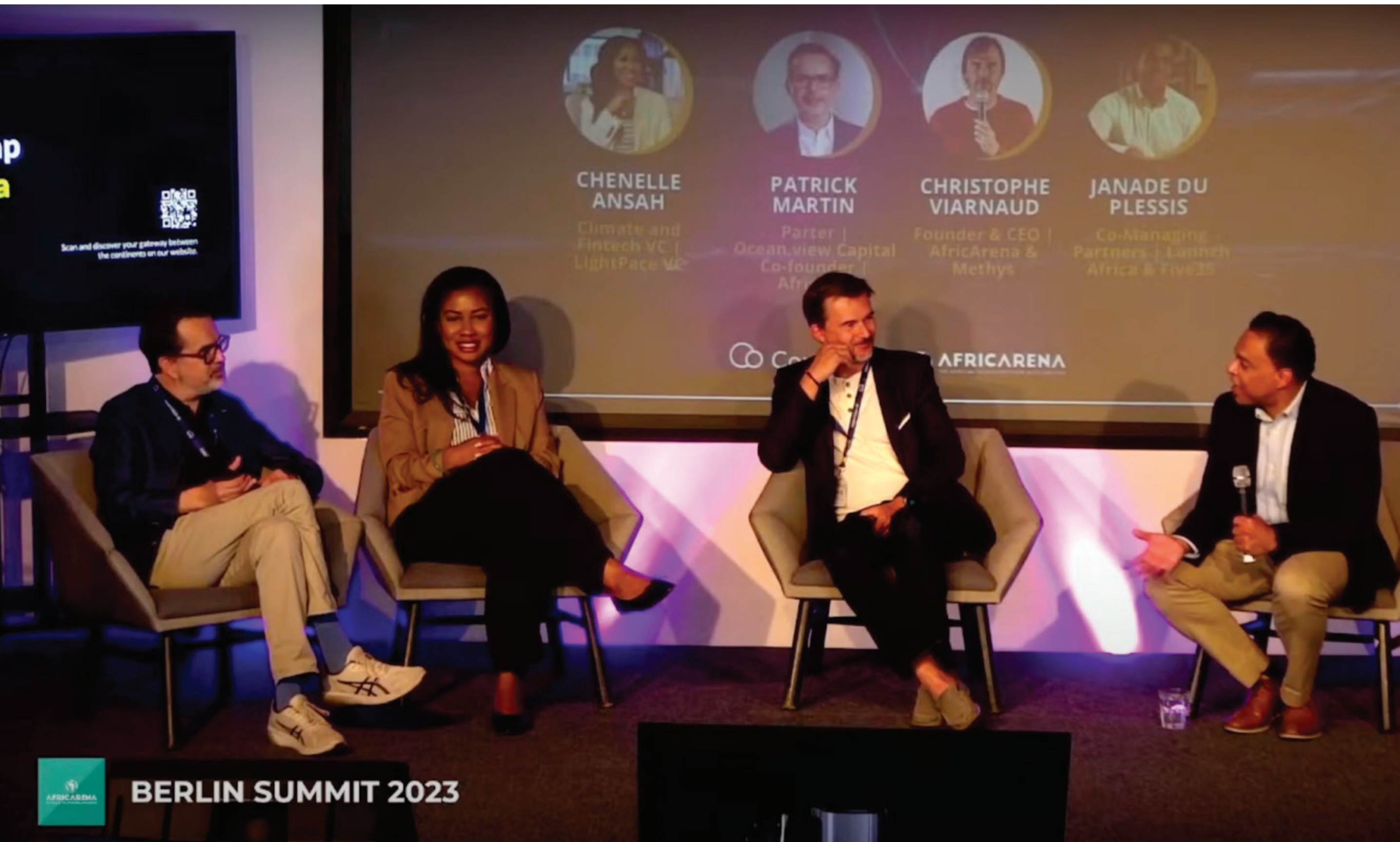
**Deal Volume 2023**



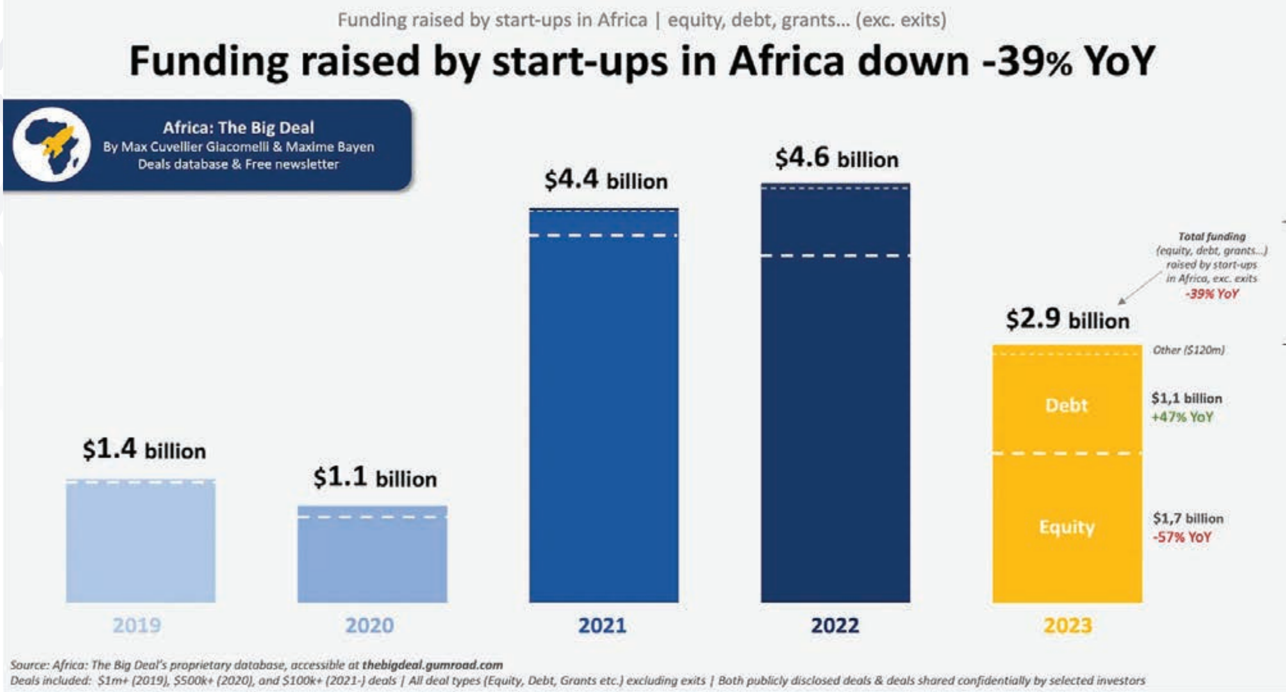
# 1.2 Analysis of African Startup Funding Trends from 2014 to 2023

The year 2023 has experienced a 57% drop in equity, debt and grant funding, similar to that of Latin America, making it an unfavourable year for Africa. Reviewing the last ten years, statistically, is very interesting as although the growth rate from 2014 to 2023 has been 120 times higher, the rate of abandoned carts has steadily increased over the past nine years.

In 2023, according to The Big Deal, the total amount of funding was $3 billion, excluding exits, and consisting of equity, debt, and grants funding. Debt funding has grown by 50% and is an encouraging trend for the region.




**State of Tech In Africa** | Panel Discussion

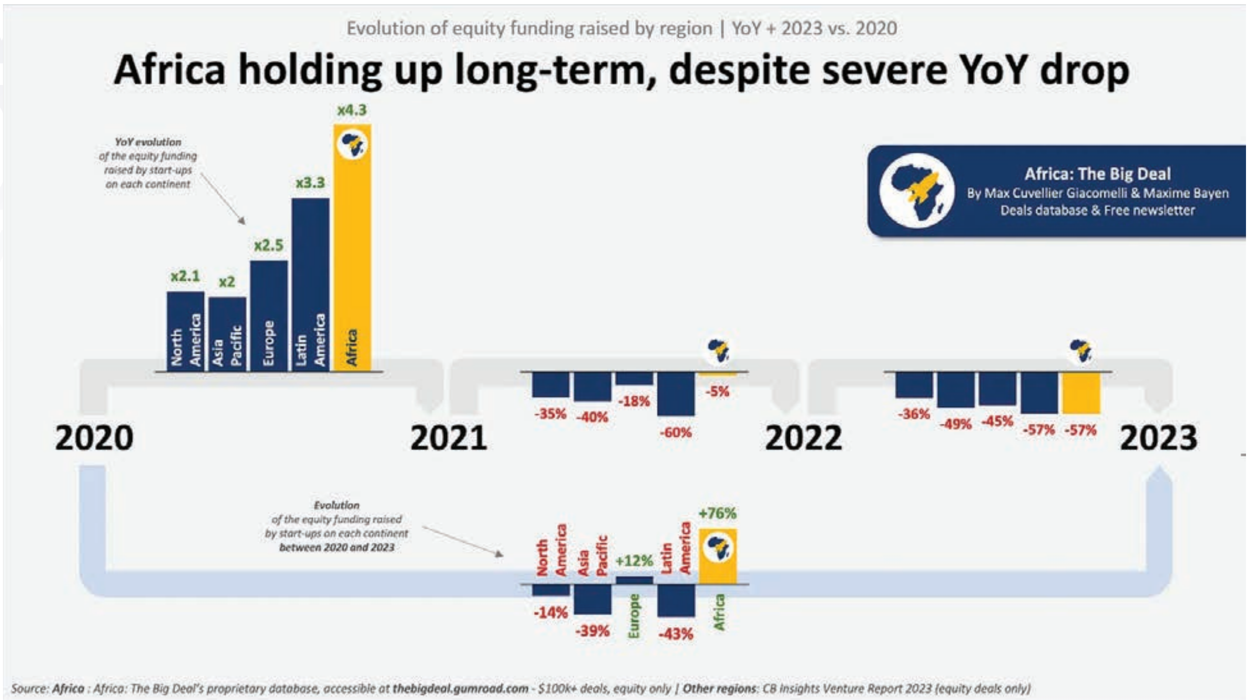



*Source: Big Deal 2023*

The increase in debt funding suggests that companies in the region are becoming more attractive to lenders, and are seen as a lower risk investment. This is a positive sign for the economic growth of the region, as it indicates that investors are becoming more confident in the potential returns on their investments. Equity funding also saw a modest increase, indicating that investors are still willing to take on a higher level of risk in exchange for potentially higher returns. Grant funding remained relatively stable, highlighting the importance of government and non-profit organizations in supporting innovation and entrepreneurship in the region. Overall, the increase in funding across all categories is a promising sign for the future of the region's economy and its ability to continue to attract investment and support for innovative new companies.

In 2020, Africa witnessed an 80% increase in funding for startups, making it the only region besides Europe to experience growth in this area. Interestingly, Africa received 76% of the funding compared to Europe's 11% in 2023.

When compared to the India tech ecosystem, Africa's population is similar, but the funding for startups in India was 15 times higher than that of Africa many years back according to Maxime Bayen from The Big Deal. However, in 2023 we see Indian startups raised $7 billion, marking a five year decline in their ecosystem, less than a third of the $25 billion they raised in 2022. That is a 73% drop in India's startup funding ecosystem in the last decade. On the other hand, African startups raised $3 billion, down from $5 billion in 2022. Even though Africa's startup ecosystem experienced a decline in funding, it is a positive reflection of a growing ecosystem as growth in funding is 2 - 4 times higher for African startups in comparison to what the market was like a decade ago. The notable decline in venture funding over the last decade is not just an African problem, it is a worldwide trend.

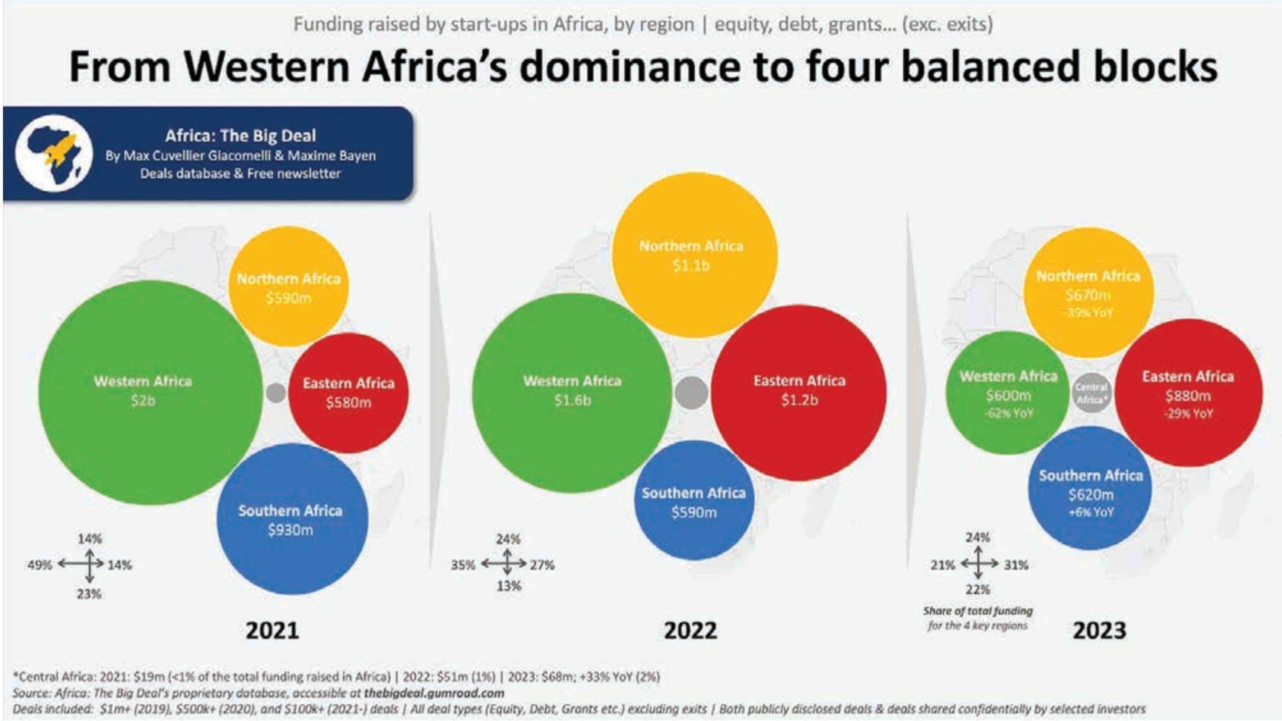



*Source: Big Deal 2023*

***Overall, the increase in funding across all categories is a promising sign for the future of the region's economy and its ability to continue to attract investment and support for innovative new companies.***

# 1.3 Analyzing Funding Distribution Across African Regions and Countries

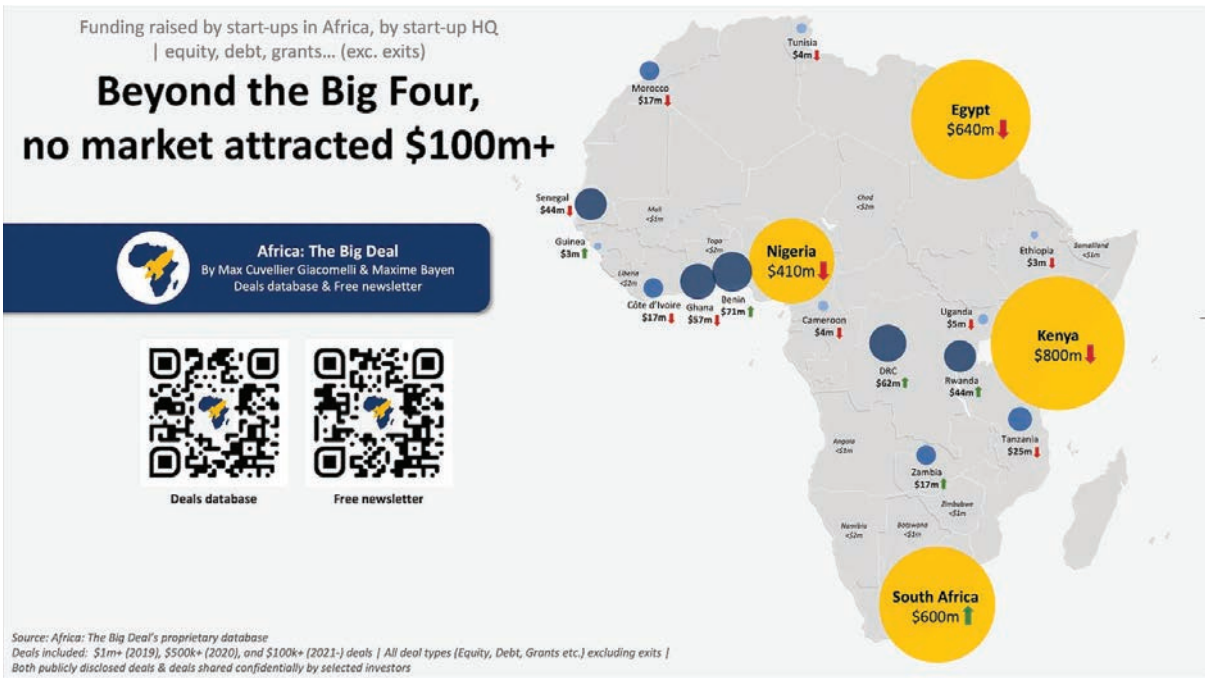
The distribution of funding is not uniform across Africa, with each region experiencing a unique pattern. In 2021, West Africa raised $2 billion but saw a 35% decline in 2022. In 2023, the four key blocks of funding have similar sizes. However, Western Africa experienced a 62% decline YoY, while North Africa has maintained its share of continental funding, ranking second with 24%. East Africa is the leader in the continental share of 31%, while South Africa has grown by 6% YoY, representing a 22% share.



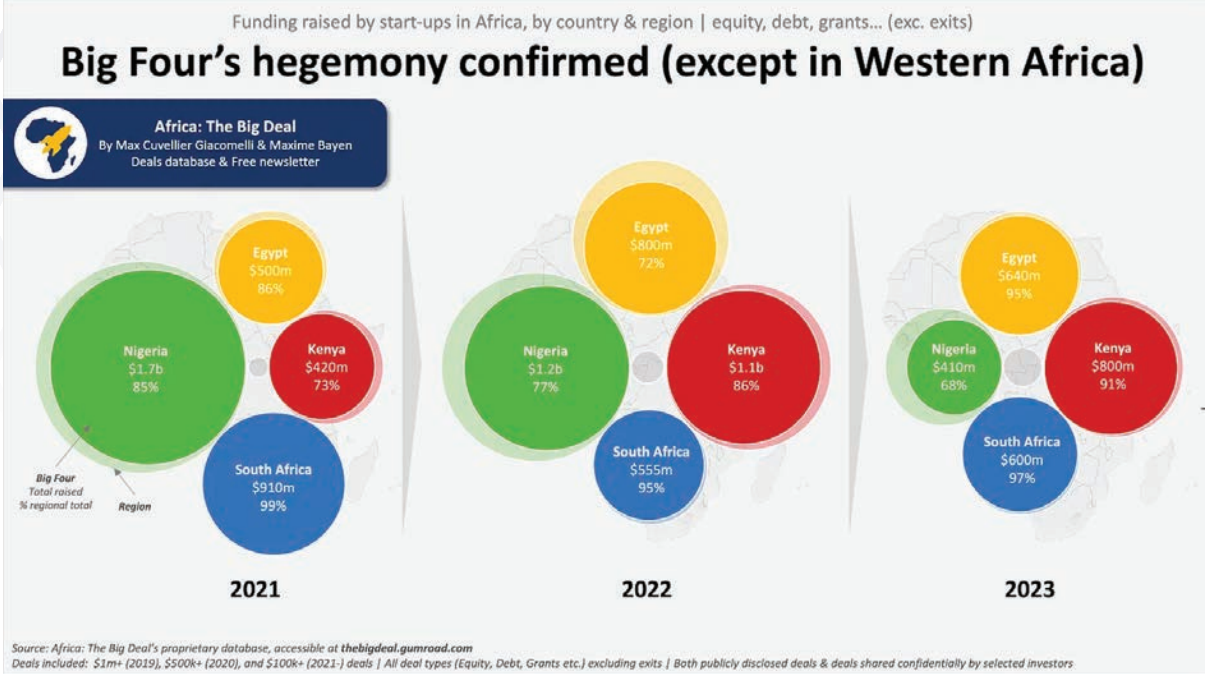

*Source: Big Deal 2023*

When we take a closer look at individual countries, Nigeria's underwhelming performance resulted in a threefold reduction. Furthermore, other countries outside of the Big Four didn't receive more than $100 million in funding. Interestingly, despite lesser funding, there are still more deals taking place.

According to The Big Deal, additionally, the funding gap between Benin and Ghana is striking. Although they are within the same region, Benin has only seen two big deals and, likely, these founders won't raise funding in 2024, which may lead to a decline. However, Ghana, with more deals even though they didn't break the $100K threshold, shows potential promise for the future.




*Source: Big Deal 2023*




*Source: Big Deal 2023*

French-speaking nations experienced increased representation in the African tech investment scene, with countries like Morocco, Democratic Republic of Congo, Rwanda, Tunisia, and Senegal claiming five out of the remaining six spots in the top ten. This is a clear indication that Francophone Africa is an emerging powerhouse. Meanwhile, Ghanaian startups secured $75 million in funding. Other emerging hotspots include Benin and Tunisia, which are rapidly approaching Big Four funding levels.


**Panel Discussion** | Dissecting Investment Opportunities Within The Cairo Ecosystem

Lastly, the Big Four countries, which include Nigeria, Egypt, South Africa, and Kenya, receive the most funding compared to other African countries. According to Partech's **report**, Kenya, Egypt, Nigeria, and South Africa remain the dominant players in the African tech investment scene. These countries collectively secured 79% of the total equity funding volume, despite a slight decline in deal count. Kenya emerged as the leading African VC investment destination, securing $800 million, followed closely by Egypt with $640 million. South Africa claimed the third spot with $600 million, and Nigeria took fourth place with $400 million. Briter Bridges also noted that these top four markets have further strengthened their positions as leading funding destinations, collectively securing substantial investments.

## Top African Countries in Terms of Startup Funding in 2023

The year 2023 saw promising growth in the African startup scene, with a total funding amount of just under $3 billion. Kenya was the leading country, attracting 28% of the continent's total funding. Although it experienced a decline of 25% YoY, Kenya increased its share of Eastern Africa's funding from 86% in 2022 to 91% in 2023. During this period, 93 startups raised $100,000 or more, accounting for 19% of Africa's total funding amount.

Egypt, on the other hand, had the lowest number of startups raising over $100K among the Big Four, with only 48 such ventures in 2023. However, the YoY decline of 20% was more moderate than that of Kenya and Nigeria, allowing Egypt to claim the second spot. The country's share of North African funding rose substantially from 72% in 2022 to 95% in 2023, marking the strongest progression with a 23 percentage point increase. This was due to the magnitude of MNT-Halan's fundraising and the inability of Algeria and Tunisia to repeat their strong 2022 performance.

South Africa's share of regional funding remained the highest at 97%, with 70 startups raising $100,000 or more and cumulating $600 million in funding, or 21% of the continent's total funding amount. Unlike the other Big Four countries, South Africa did not experience a decrease in total funding between 2022 and 2023, instead seeing an increase of 8% YoY.

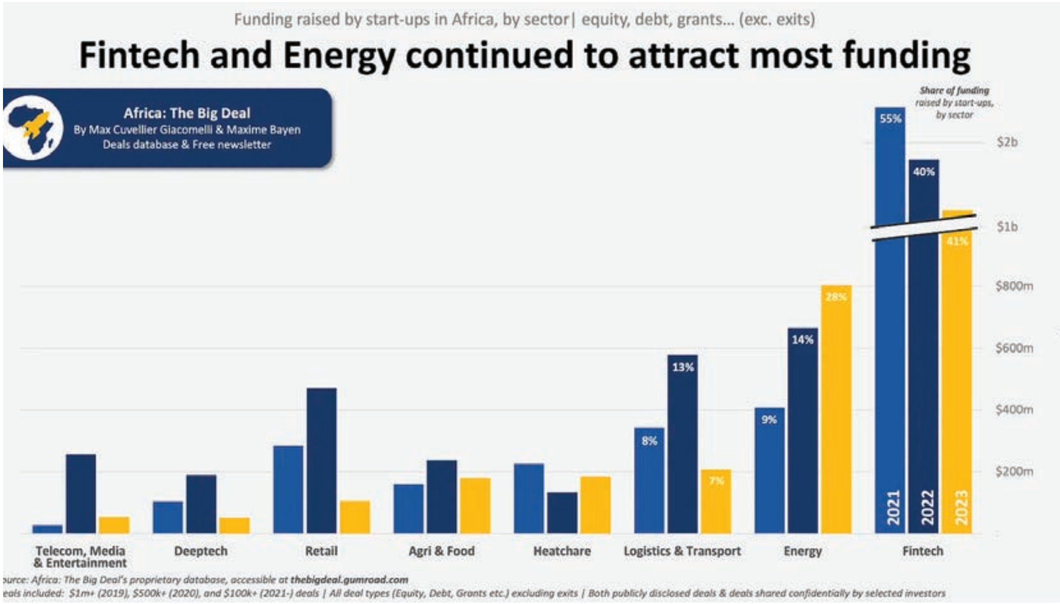
Nigeria, however, experienced the most dramatic change in 2023. Although the country claimed the highest number of startups raising $100K or more (146, or 29% of the continent), the total amount they raised was divided by three YoY (-67%) to reach $410 million, compared to $1.2 billion in 2022 and $1.7 billion in 2021. As a result, its share of Western African funding continued to drop, reaching 68%, down from 85% in 2021 and 77% in 2022. This is the lowest regional share of any Big Four market since data collection began in 2019.

Despite representing only 13% of the funding, there is a wealth of activity beyond the Big Four. Encouragingly, 29% of the startups that raised $100K or more in 2023 were located outside of the Big Four.


**Founder's Success Story** | How I Scaled My Business - Founder's Success Story | A Keynote By Ahmed Kadous (Pharmacy Marts)

# 1.4 Analyzing African Tech Sectors: Fintech Takes the Lead Despite further 2023 Decline

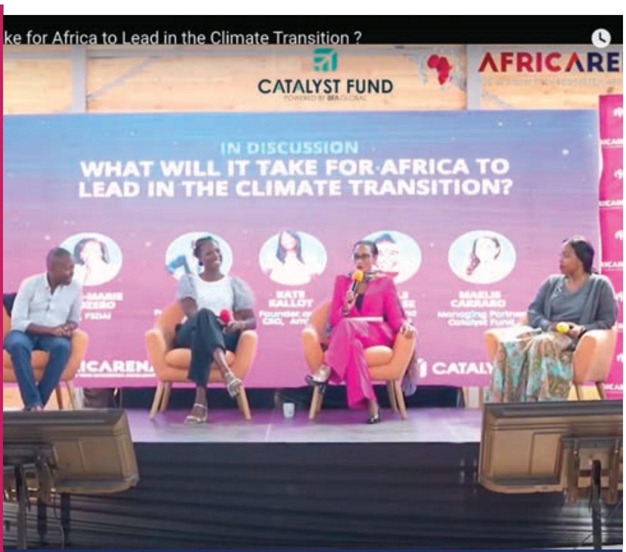
The African tech industry is rapidly expanding and evolving, with various sectors making significant advancements in innovation and development. Fintech dominates the market, with over $1 billion invested, despite a slight decline in 2023. Fintech's dominance in the market is not surprising, given the high demand for financial services and the increasing popularity of mobile banking.




Source: Big Deal 2023

> ***The African tech industry is rapidly expanding and evolving, with various sectors making significant advancements in innovation and development.***

Energy and health tech sectors are the only other sectors that have seen growth, with $800 million invested in the energy sector and impressive YoY growth. The growth of the African tech industry is a promising sign for the continent's economic development. Energy and health tech sectors are also crucial, as they address some of the continent's most pressing challenges, such as access to electricity and healthcare.

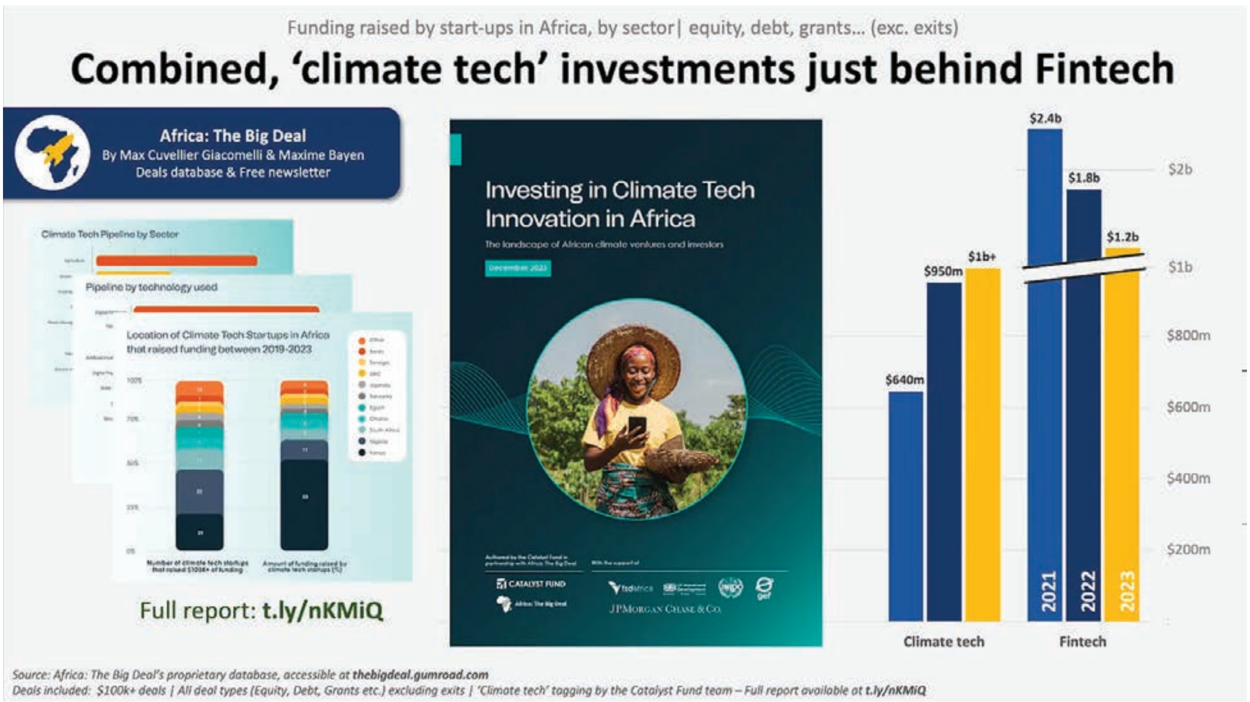



**Panel Discussion** | What will it take for Africa to Lead in the Climate Transition?

Climate tech has been separated from the first data set as shown in The Big Deal as a potential sector for cross-sectoral impact, including in agriculture, fintech, and electric transport.

In addition to agriculture, fintech and electric transport are two other areas where climate tech can have a significant impact. For example, embedded fintech solutions can help make payments more efficient and reduce the need for cash transactions, which can lead to significant carbon emissions reductions. Meanwhile, electric transport can help reduce the carbon footprint of transportation, which is a major contributor to greenhouse gas emissions.

***Meanwhile, electric transport can help reduce the carbon footprint of transportation, which is a major contributor to greenhouse gas emissions.***




*Source: Big Deal 2023*


**Panel Discussion |** AI for Investors, What Are They Looking For?

Despite the challenges facing the climate tech sector in Africa, it has shown remarkable growth in recent years. With more than $1 billion in equity debt and grants, the sector is attracting significant investment and attention from both public and private stakeholders. This growth is a positive sign for the future of climate tech in Africa and for the continent's ability to create a more sustainable future for all.

***The growth of the African tech industry is a promising sign for the continent's economic development.***


**Panel Discussion |** The Rise of Sustainable Climate Tech in Southern Africa

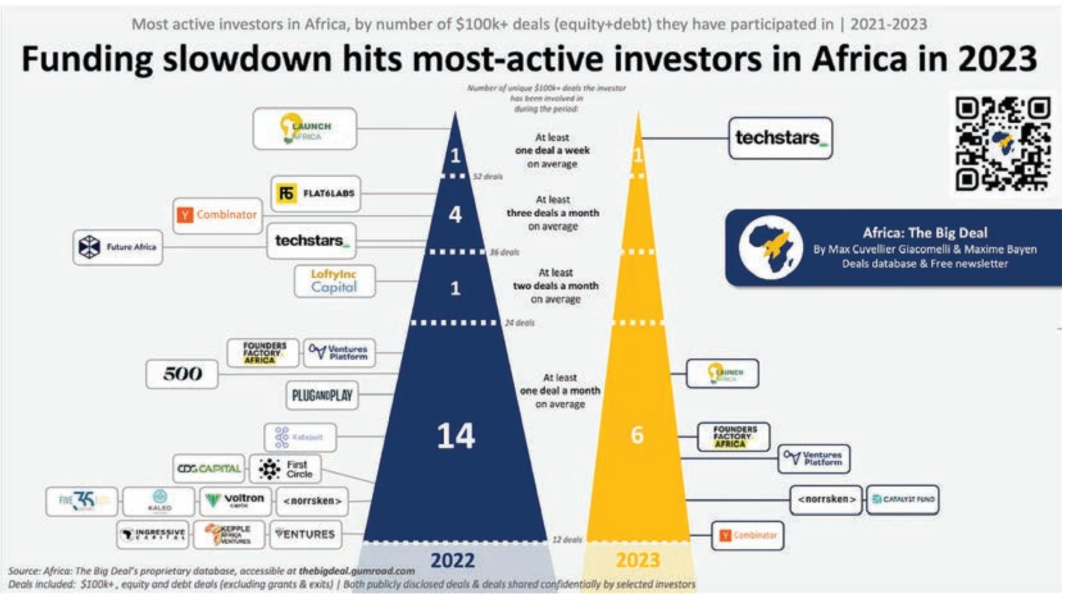
# 1.5 Exploring Africa's Top Investors: An Analysis of the Most Active Contributors

## Over the past few years

While there is still significant investor interest in African tech, there has been a 50% decrease in the number of investors participating in funding rounds, according to the Partech report. This decline is consistent with the overall reduction in funding and the number of ventures raising $100,000 or more. However, new funds like Saviu Ventures and Seedstars Africa Ventures have been established with a focus on startups in relatively untapped VC markets, particularly in Francophone Africa.

Investor region diversification is a sign of a maturing African market. However, the decrease in investor participation has implications for the structure of the ecosystem in the near future.

Over the past few years, we have observed that approximately 1,500 investors have participated in $100K+ investment deals throughout Africa, excluding angels. While all of these investors are impacting the growth of Africa's ecosystem, some stand out for their exceptional contributions. In this report, we will delve deeper into the investors who have signed at least one check every month on average from 2021 to 2022.




*Source: Big Deal 2023*

**Launch Africa Emerges as Top Investor with Highest Deal Count**

It is worth mentioning that Launch Africa Ventures has taken the lead as the most active investor in 2021 and 2022, with an average of more than one deal per week. They have invested in a diverse geographical range and have contributed to 12% of all equity deals between $100K and $10 million across the continent over the past couple of years.

Flat6Labs is a noteworthy investor that stands out from the rest. Unlike the other investors who have made investments in at least three different African regions, Flat6Labs has chosen to focus exclusively on Northern Africa – specifically Egypt and Tunisia. However, this may change in the future.

Y Combinator, the global accelerator and investor, has significantly expanded its presence in Africa during 2021-2022. It has invested two-thirds of its 2022 investments in Nigeria, compared to 38% in 2021. Similarly, LoftyInc Capital

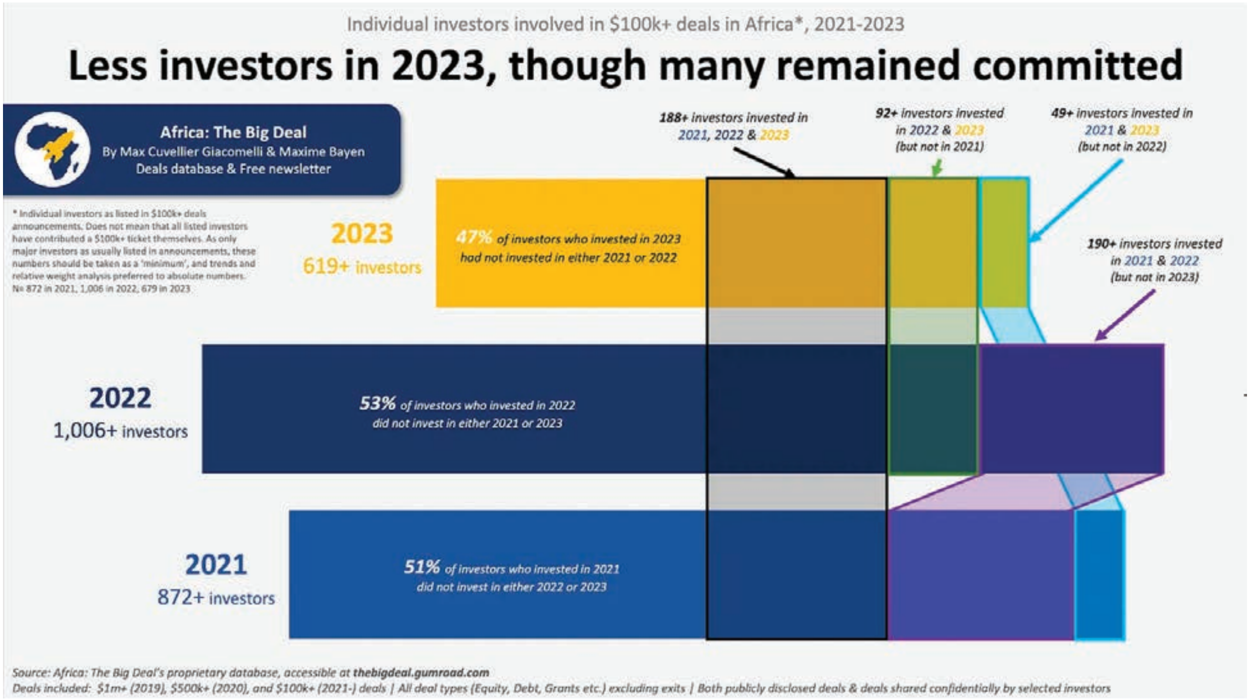
## *Exploring Africa's Top Investors: An Analysis of the Most Active Contributors*

Management has averaged over three $100K+ investments per month during this period, with almost half in Nigeria.

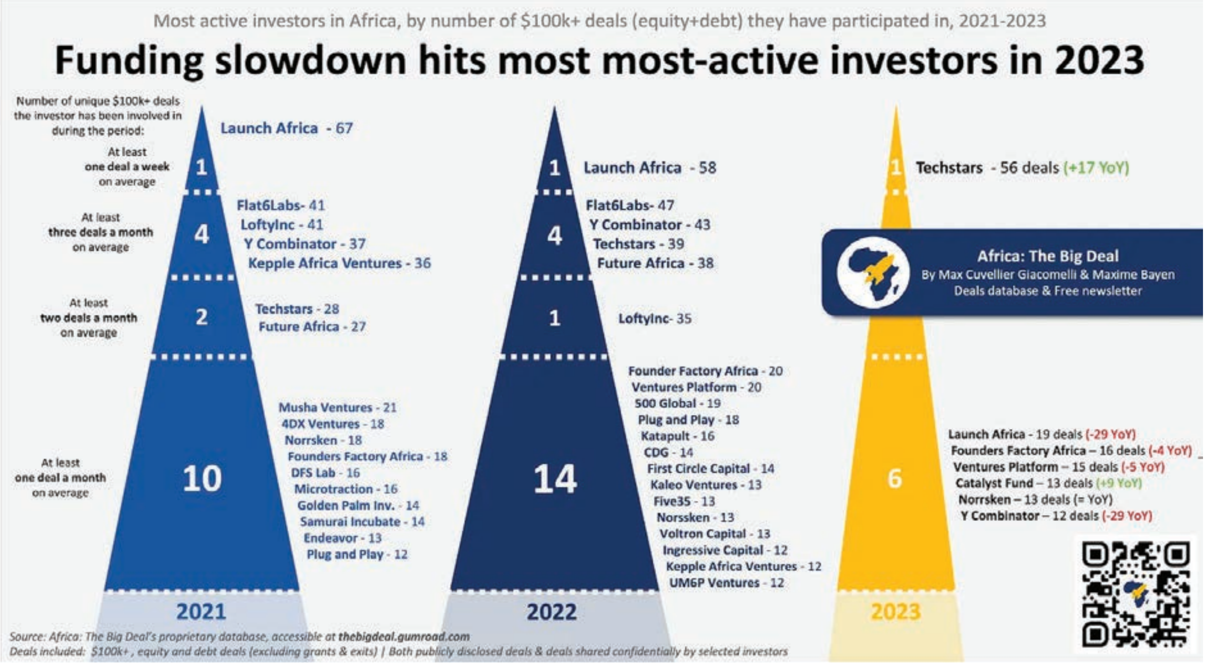
Following closely behind is Techstars and Future Africa, both of which have invested in every other $100K+ deal in Nigeria.

**Investors Committing $100k+ Deals Monthly in Africa During 2021-2022**

Joining the list of investors committed to African startups are Kepple Africa Ventures (now Verod-Kepple Africa Ventures), Founders Factory, Norrsken22, Plug and Play, Ventures Platform, Musha Ventures, 4DX Ventures, and 500 Global. Many of these investors are connected to global programs that offer an acceleration component, with various degrees of localization to the African market.

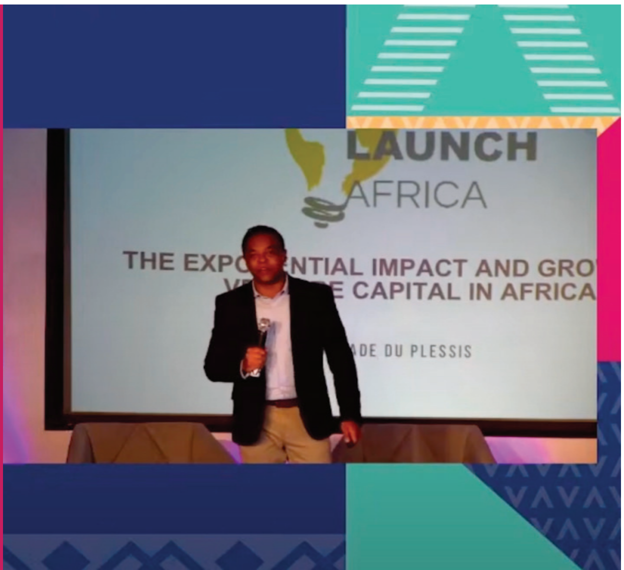



*Source: Big Deal 2023*




*Source: Big Deal 2023*

In addition to providing much-needed funding, these investors also bring valuable expertise and networks to the table, which can help African startups to scale and succeed. With the right support and resources, African startups have the potential to not only transform the continent but also make a significant impact on a global scale.




**The State of Tech in Africa** | A Keynote By Janade Du Plessis

### *Investor Activity Across Africa: Where are the Investments Going?*

Interestingly, the majority of active investors have invested beyond Flat6Labs, with at least three of Africa's five regions attracting their attention. Most of them (8 out of 14) have invested $100K or more in four regions, while Launch Africa Ventures, Y Combinator, LoftyInc Capital Management, and Plug and Play have invested in all five regions. However, Central Africa is the least invested region, with only five out of 14 investors participating in a deal within the region.

Additionally, when it comes to investing beyond the Big Four, most active investors (8 out of 14) tended to focus more on the usual locations. Norrsken22 stands out as the investor that invested the most in "the rest of Africa," with 45% of its deals made there.

### Investor Activity in $100k+ Deals in Africa: A Year in Review

In 2023, over 619 unique investors were recorded as being involved in $100K+ deals in Africa,


**Panel Discussion** | 2022 Wrap-up on Investment Trends in Africa

which indicated a drop of -38% YoY. Out of these investors, 47% had not invested in either 2021 or 2022. However, a group of 188+ resolute investors invested in all three years: 2021, 2022, and 2023. These investors were more committed and had a greater impact on the African ecosystem.

83% of investors who were active in $100K+ deals in Africa in both 2022 and 2023 saw the number of deals they participated in either stagnate (36%) or go down (47%). While there had been 17 investors in 2021, and 20 investors in 2022 who had been involved in more than a $100K+ deal a month during the year (excluding grant makers), there were only seven of those in 2023 (+3 grant makers: Mastercard, DEG, and Google for Startups' Black Founders Fund). The latter, though not being an investor per se, deserves special mention for being particularly prolific with 139 'non-dilutive investments' on the continent in the past three years, a prolific-ness only Launch Africa Ventures could top (144 over the same period).

In 2023, Techstars recorded the most deals with a total of 56, which is more than one a week on average. The investor also recorded the biggest YoY progression (+17) and took the lead from Launch Africa Ventures (*), which was the runner-up. The considerable drop in Launch Africa Ventures' activity was justified by the full allocation of its Fund I in the first half of the year. Other familiar names made the list: Founders Factory Africa, Ventures Platform, Norrsken22, and Y Combinator. All but Norrsken22, who remained stable YoY, did less deals in 2023 than in 2022. In Y Combinator's case, the reduction was quite dramatic as it only welcomed 12 African startups in its cohorts in 2023, compared to 43 in 2022 and 37 in 2021. The only newcomer on the list is the Catalyst Fund, which formally started its climate-focused VC operations last year.

It is important not to draw hasty conclusions from the 2023 numbers, as many investors remain heavily committed to investing on the continent. However, many factors can impact levels of activity, starting with new fundraising activities. It turns out that the most active investors on the continent have also been affected by this decrease in activity, which comes as a disappointment to some who may have hoped that this trend would have mostly impacted 'smaller' investors.

SECTION 2

# Overview of the African Tech Ecosystem in 2023

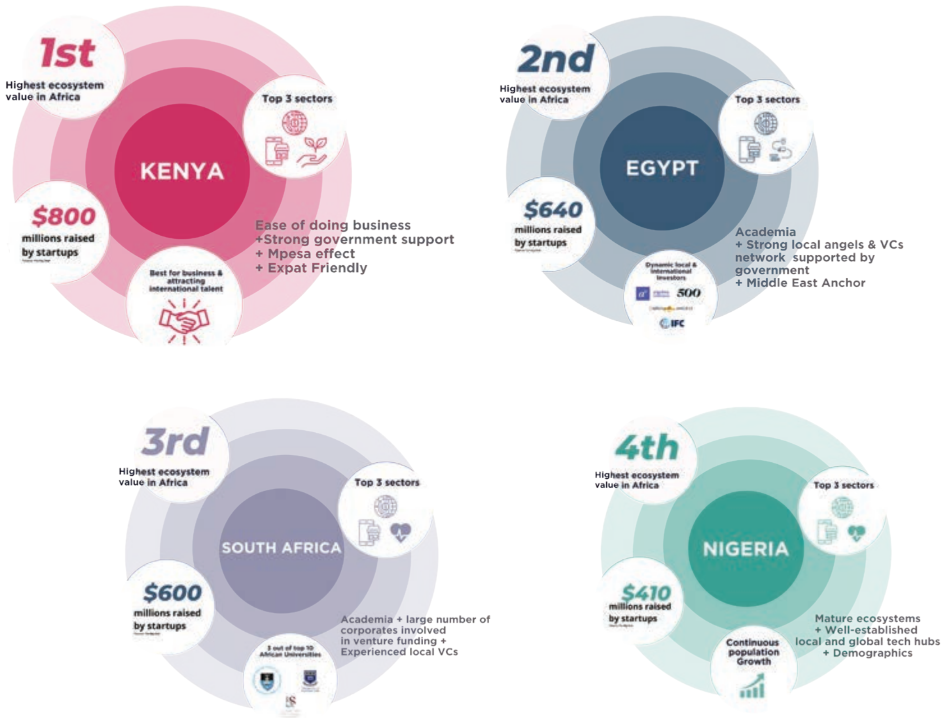
Against the backdrop of global challenges confronted by startups in 2023, the African tech ecosystem stands resilient, exhibiting signs of poised growth and promising prospects for the upcoming year, 2024. The preceding year, 2023, unfolded as a period marked by various adversities, including budgetary constraints, diminished valuations, strategic business model revisions, workforce downsizing, and the closure of certain startups. In the dynamic landscape of Africa's startup ecosystem in 2023, a notable shift in regional dominance has unfolded, signifying a significant rebalancing across the continent. Eastern Africa emerges as the frontrunner, attracting a substantial $880 million in startup investments, commanding 31% of the total funding. Surprisingly, North Africa secures the second position, garnering $670 million and marking its ascent in attractiveness. Southern Africa holds the third position, demonstrating moderate yet positive growth, while Western Africa, which formerly held the top spot, experiences a significant decline to rank fourth, with only 23% of the total funding, indicating a noteworthy shift in its worth performance. Notably, Central Africa, despite exhibiting noteworthy growth from $51 million in 2022 to $68 million in 2023, still represents a mere 2% of the total funding, underscoring its comparatively smaller scale within the regional context.

Within the overarching narrative of Africa's startup ecosystem, the Big Four regions maintain their dominance, collectively securing an impressive 87% of all startup funding, marking their highest share since 2019. These regions, home to 71% of startups raising $100,000 or more (357 out of 500) in the continent last year, mirror the regional rankings discussed earlier.

However, amidst this stability, a compelling trend emerges with the ascent of new contenders, notably Benin in fifth spot and the Democratic Republic of Congo in sixth spot. These rising stars signify the rapid growth of the Francophone Africa startup ecosystem, offering a glimpse into the evolving landscape that extends beyond the Big Four.' As we delve deeper into this analysis, we uncover the nuances and dynamics shaping the intricate tapestry of Africa's burgeoning startup scene.

# 2.1 The Dominance of the Big Four

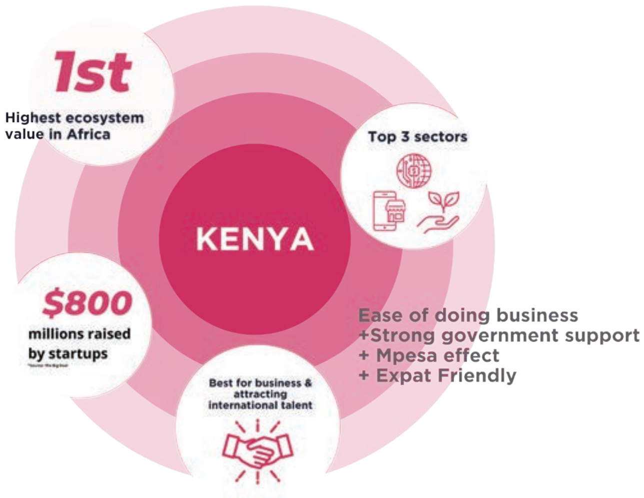
2023 for the Big Four countries in the African tech ecosystem (Nigeria, Kenya, Egypt and South Africa), was arguably a good year characterised by new strides in the region's funding scene, as collectively they amassed as indicated previously 87% of Africa's startup funding, marking their highest share since 2019. However, within this narrative, Nigeria stands in stark contrast to its peers. Let's take a deeper look:




## Kenya

Coming at the first spot, with just under $800 million raised in 2023, Kenya stands as the paramount tech ecosystem in Africa, commanding 28% of the continent's total funding. Despite experiencing a slight decline of -25% YoY, Kenya's dominance within Eastern Africa's funding landscape expanded from 86% in 2022 to an even more commanding 91% in 2023. Notably, 93 startups within Kenya raised $100,000 or more during this period, constituting 19% of Africa's overall total funding.

The Kenyan tech ecosystem distinguishes itself with robustness, as local entrepreneurs actively devise solutions tailored to their communities, aspiring to




"The 2023 investment inflow is largely due to Kenya's ongoing efforts to position itself as a regional tech hub, which are being driven by increased global interest in African startups and the country's strategic approach to fostering innovation and entrepreneurship. Kenya's vibrant tech innovation scene, particularly in fintech, agritech, healthtech, and edtech, with its high mobile and internet penetration rates, combined with the adoption of digital solutions, continue to attract investors." states Michael Mutie, VC at Launch Africa Ventures."

scale these innovations globally. The landscape is enriched by a plethora of training and funding opportunities facilitated by incubators and accelerators across the country. Entrepreneurs benefit from regular engagements tailored for sector-specific solutions, providing a platform to interact with both public and private sector stakeholders to explore local opportunities. Additionally, there are avenues for entrepreneurs to actively contribute to policy discussions, fostering a startup-friendly environment.

This supportive ecosystem translates into a business-friendly atmosphere for Kenyan entrepreneurs, surpassing the ease of doing business in numerous other countries. Kenya, recognized as one of Africa's fastest growing economies, has emerged as a pioneering tech hub, particularly in the realm of innovative mobile payment solutions.

The country's leading position on the continental stage is all the more remarkable considering its relatively modest population in comparison to counterparts such as Nigeria. Kenya's tech prowess, exemplified by its vibrant ecosystem and entrepreneurial-friendly initiatives, reinforces its status as a beacon of innovation and success in the African tech landscape.

Kenyan President William Ruto has underscored his commitment to bolstering the country's startup sector by endorsing Kenya's Startup Bill 2022. This legislative initiative, set in motion since 2021, is poised to become law under President Ruto's pledge, with his announcement during Kenya Innovation Week 2023 during which he stated that he intends to sign the bill by April 2024. President Ruto emphasized the transformative potential of this legislation, stating, "By March or April next year,

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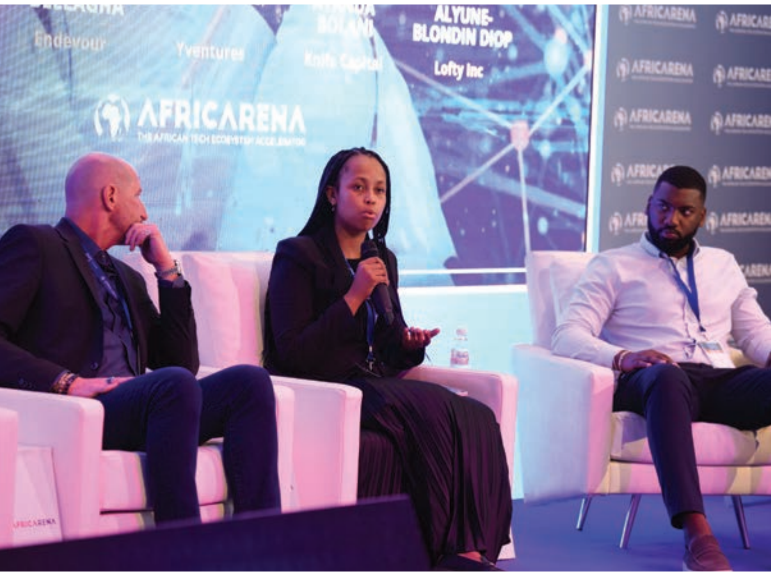



we will have a firm startup law in Kenya, which will assist many of our innovators de-risk their innovations and turn them into businesses."

This Startup Bill is designed to oversee and facilitate collaborations among the government, incubators, startups, and investors. A key facet of the legislation involves providing tax advantages and credit to registered startups, aiming to stimulate innovation and job creation, particularly in a country with a substantial population of unemployed youths.

Recognizing the pivotal role startups play in fostering economic growth, the Kenyan government has proactively introduced policies and initiatives to support entrepreneurs. In 2023, a notable allocation of $10 million was earmarked for Kenya Vision 2030's flagship project, the Youth Enterprise Development Fund, dedicated to offering financial support to young entrepreneurs and startup ventures. The establishment of the Kenya National Innovation Agency (KENIA) further bolstered these efforts, leading to a significant 30% increase in the number of startups benefiting from government-funded innovation programs and grants.

Continuing its commitment to fostering a conducive environment for startups, the Kenyan government has implemented various measures, including tax incentives, regulatory reforms, and entrepreneurship training programs. Nairobi's appeal as a burgeoning tech hub is amplified by the presence of global tech giants such as Google, Microsoft, Samsung, and Intel. The city also hosts accelerators like Antler and Pangea Accelerator, contributing to a vibrant startup culture. However, Kenya faces challenges within its startup ecosystem, including a shortage of mentorship programs and limited access to markets. With a population of just over 50 million, Kenya acknowledges the necessity of adopting a regional or global focus to drive growth, recognizing that creating a critical mass of unicorns requires expanding beyond the confines of the local market. As Kenya navigates these challenges, the proactive governmental support and the thriving startup ecosystem position the country as a compelling player in the global and African innovation landscape.

In 2023, the Kenyan startup landscape continued its dynamic evolution, diversifying and branching into various sectors. While stalwart domains like fintech and agritech maintain their robust presence, the emergence of new niches is reshaping the entrepreneurial terrain. Healthtech, edtech, and renewable

energy startups are gaining considerable traction, adeptly addressing crucial needs and capitalizing on opportunities within the Kenyan market.

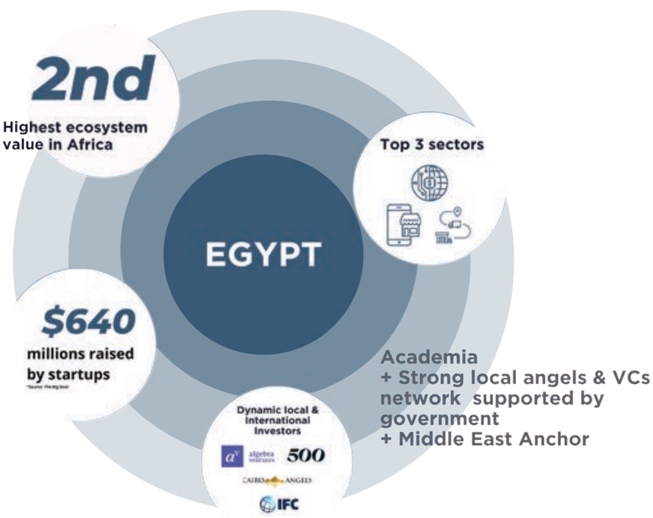
Highlighted by the Global Startup Ecosystem Index, Kenya stands out with particular strength in fintech, agritech, healthtech, and edtech. Notably, 2023 has witnessed a 15% surge in the number of healthtech startups and a 10% rise in edtech startups compared to the previous year. The renewable energy sector has also experienced a remarkable 20% growth in the number of startups, indicative of a pronounced shift towards sustainable solutions within Kenya's evolving market.

One landmark contribution to Africa's fintech landscape is the inception of M-PESA, a groundbreaking mobile banking solution enabling seamless money transfers through phones. This innovation has not only become a regional success story but also exemplifies Kenya's maturity in its economy and a burgeoning culture of entrepreneurship. Furthermore, Kenya, with its strong English-speaking environment, not only serves as a gateway to the African market but also boasts a mature economy and a growing entrepreneurial ethos.

In terms of attracting investment, Kenya has historically been a preferred destination for Africa's investors, sharing this status with Nigeria, Egypt, and South Africa. Noteworthy examples include M-KOPA, securing a substantial $75 million in 2022 to expand into regional markets, and Wasoko, a tech startup positioned as a potential candidate for Kenya's first unicorn status. These instances underscore Kenya's allure for investors and its ability to incubate and propel startups to significant milestones, reinforcing its status as a key player in Africa's burgeoning startup ecosystem.

# Egypt

Coming at the second spot, with just under $640 million raised in 2023, Egypt's startup landscape witnessed a distinctive trajectory, with 48 ventures securing funding exceeding $100,000—a figure that places it at the lowest end among the Big Four. However, a more modest YoY decline of -20%, compared to Kenya and particularly Nigeria, propelled Egypt into the second position. This shift was notably driven by Egypt's increasing share of North African funding, soaring from 72% in 2022 to an impressive 95% in 2023—a remarkable 23 percentage point progression. This surge was primarily attributed to the substantial fundraising success of MNT-Halan, coupled with the challenges faced by Algeria and Tunisia in replicating their robust 2022 performance. A notable milestone in 2023 was Egypt's creation of its first unicorn, MNT-Halan.




***A notable milestone in 2023 was Egypt's creation of its first unicorn, MNT-Halan.***


**Panel Discussion** | Dissecting Investment Opportunitites within the Cairo Ecosystem

Egypt's commitment to cultivating a robust startup ecosystem is evident in its strategic approach, extending beyond mere numerical achievements. With a population of 111 million people, Egypt claims the top spot in Northern Africa and ranks 67th globally, factoring in both quantity and business environment metrics. The impressive ranking, measuring elements such as the number of startups, business meetings, accelerators, and the overall business environment, underscores Egypt's multifaceted success.

A crucial driver of Egypt's startup dynamism is its young demographic, with over half of the population under the age of 30. This vast pool of potential talent, coupled with 300,000 graduates emerging from Egyptian universities annually, positions Egypt as a regional powerhouse in the digital economy. Cairo, as the capital, dominates Egypt's startup ecosystem, showcasing immense potential and offering access to skilled and affordable talent for entrepreneurs and foreign companies. The convergence of entrepreneurship, increased venture capital funding, and favorable startup-related policies contribute to Egypt's attractiveness for investment. The tech sector, notably e-commerce startups, has flourished, with the support of tech incubators and global accelerators.

Egypt's startup ecosystem benefits from various funding sources, including government-backed initiatives such as Egypt Ventures, contributing to an innovative environment. The recent launch of Nclude, a fintech-focused fund supported by Egypt's largest banks and Global Ventures, further enhances the investment landscape for the country's tech sector. The strength of Egypt's long standing business culture is reflected in its evolving startup scene, while improvements in internet quality underscore the commitment to critical infrastructure deployment. The Egyptian startup ecosystem stands as a significant economic engine for this leading African nation, with the anticipation of witnessing more innovative startups emerge and contribute to Egypt's continued success.


***The tech sector, notably e-commerce startups, has flourished, with the support of tech incubators and global accelerators.***

In its evolution as an emerging ecosystem, Egypt has adeptly fostered collaboration between the private and public sectors to propel its entrepreneurial landscape forward. A notable example of this synergy is the establishment of Egypt Ventures, a groundbreaking government-backed venture capital initiative—the first of its kind in Egypt. This entity, forged through a partnership between the Ministry of International Cooperation, the General Authority for Investment and Free Zones (GAFI), and the Saudi Fund for Development, stands as a testament to the nation's commitment to advancing its entrepreneurial ecosystem.

Adding to this strategic approach, Egypt recently unveiled a significant boost for startups through a five-year tax exemption, aligning with the broader national strategy to fortify the country's startup ecosystem. Egyptian President Abdul Fattah El Sisi made this announcement during his visit to Borg El Arab Technological University in Alexandria. This progressive measure aims to propel a 50% growth in Egypt's entrepreneurial ecosystem, envisioning the establishment of startups with foreign investments reaching $8 billion by 2030. The exemption serves as a pivotal component of the nation's broader strategy to cultivate a thriving ecosystem and retain top talent. In tandem with this, the country implemented 22 new decisions in May to facilitate investment, streamlining processes such as a ten-day approval window for establishing companies.

Nevertheless, entrepreneurs in Egypt grapple with the weight of economic instability. The country faces an impending rise in inflation, fueled by substantial debt obligations, including $2.49 billion in short-term debt due in June and $15.24 billion in the latter half of 2023. Of this, $3.86 billion constitutes short-term debt, and $11.38 billion is in longer-term debt. Projections from the International Monetary Fund (IMF) anticipate inflation rates of 24.4% and 32% in 2023 and 2024, respectively, up from earlier estimates in April.

"Due to the macroeconomic situation, there is a huge shift and focus from the startups on just growth to unit economics and runway, as well as shifting on new sources of suitability of business, from collaboration as well as Debt finance rather than equity. More startups are trying to diversify their revenue streams as well as focusing on hav-

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Despite these formidable obstacles, the entrepreneurial spirit perseveres. Innovative solutions, coupled with proactive government policies, hold the potential to create opportunities for new businesses to thrive and contribute significantly to the nation's economic growth. In navigating this complex landscape, Egypt's commitment to fostering a supportive ecosystem remains a beacon of hope, providing a conducive environment for startups to overcome challenges and emerge as impactful contributors to the country's dynamic economic landscape.

In Egypt, the startup landscape is teeming with promise, notably in fintech, a sector poised for remarkable growth. With a predominantly unbanked population and a surging appetite for digital financial services, the fintech industry in Egypt is projected to soar, reaching a substantial $5 billion by 2026. This trajectory is fueled by an amalgamation of factors, including robust government support, escalating smartphone penetration, and an increasing consumer clamor for digital payments and banking services. Specifically within the fintech realm, Egypt boasts a considerable presence with 177 fintech & fintech-enabled startups and Payment Service Providers (PSPs). Of these, 139 (79%) focus on providing pure fintech solutions, while 38 (21%) offer technological solutions and embedded finance. The last five years have witnessed a remarkable 5.5 fold increase in innovative startups and PSPs, underscoring the escalating demand for fintech solutions in the Egyptian market. As these sectors continue to burgeon, Egypt's dynamic startup ecosystem is poised to play a pivotal role in shaping the country's economic trajectory and fostering innovation across various industries.

Another thriving sector in Egypt is e-commerce and logistics, capitalizing on a population exceeding 100 million, a burgeoning middle class, and expanding internet access. Anticipated to burgeon at a staggering rate of 33% annually, the e-commerce sector is forecasted to hit $3 billion by 2022. Several startups in Egypt are capitalizing on this wave, offering online marketplaces, delivery services, and innovative payment solutions to streamline and enhance the e-commerce experience.

Egypt's healthcare sector stands as a ripe arena for innovation and disruption, with a projected annual growth rate of 13.5%, reaching over $65 billion


**Founder's Success Story** | How I scaled my Business - Ahmed Kadous

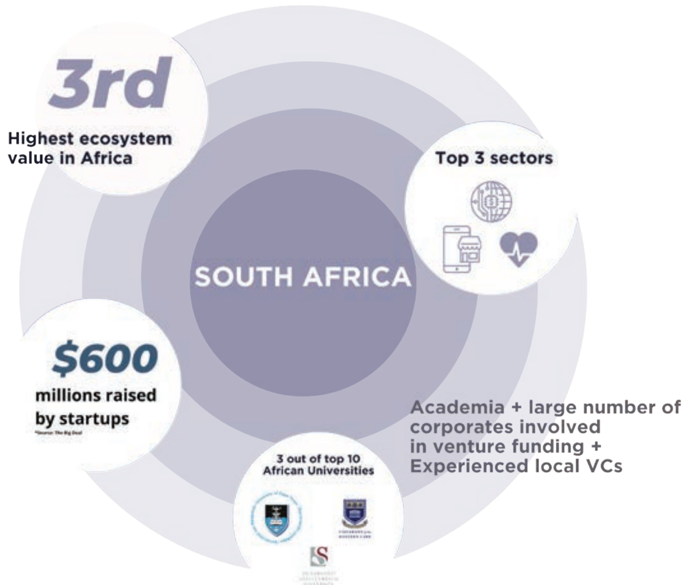
by 2023. The Covid-19 pandemic has accentuated the importance of digital health solutions, spurring innovation in telemedicine, remote patient monitoring, and health data analytics. With a burgeoning demand for quality healthcare and increased governmental investment, healthtech startups are positioned to make a significant impact. Supportive initiatives such as the Egypt HealthTech Cluster and the Health Innovation Egypt competition underscore the government's commitment to fostering advancements in healthcare startups.

Education technology (edtech) is another bustling sector, responding to the sizable and expanding population of young individuals with a burgeoning demand for high-quality education and training. Edtech startups in Egypt are leveraging cutting-edge technologies like artificial intelligence, virtual reality, and gamification to deliver innovative educational experiences. Against the backdrop of a global edtech market projected to reach $352 billion by 2023, Egypt's edtech startups are well-positioned to seize significant opportunities.

# South Africa

Coming at the third spot, with just under $600 million raised in 2023, South Africa maintains its preeminent position in the regional startup landscape, claiming an impressive 97% share of funding within the continent. A total of 70 startups, securing $100,000 or more in funding, amassed the substantial funding aforementioned, constituting 21% of the continent's total. Notably, South Africa stands out as the lone member of the Big Four that experienced an 8% YoY increase in total funding between 2022 and 2023.

The country's allure for foreign investments is underpinned by its robust infrastructure and stable economy. As a member of the BRICS group, South Africa enjoys access to a vast market and prospects for economic cooperation, with the addition of four new members in January 2024 expanding its reach further. However, amid these strengths, South Africa grapples with unique economic challenges, including a high unemployment rate of approximately 32.6% and pronounced income inequality. Within




**Panel Discussion** | What's the Secret Sauce on Exits in Southern Africa vs the Rest of Africa ?

this context, entrepreneurship plays a crucial role, serving as a catalyst for economic growth and addressing pressing societal issues.

South Africa's startup ecosystem stands out as the most mature on the continent, characterized by significant consumer and business markets, sophisticated entrepreneurial talent, and a robust corporate sector.

The emergence of a local venture capital industry, connected to an increasing number of international investors, further fuels this growth. Several factors contribute to this thriving ecosystem:

- Private sector organizations, such as SiMODiSA and SAVCA, collaborate to engage with the government on policies and legislative changes that stimulate the industry.
- Recognition from both the public and private sectors that entrepreneurship is pivotal for overcoming economic challenges and high rates of unemployment.
- Investment from corporate South Africa through accelerators, incubators, and innovation programs.
- A shift in Broad-Based Black Economic Empowerment (B-BBEE) legislation, unlocking funds for skills development, enterprise development, and supplier development of SMEs, particularly those with more than 51% South African black ownership.
- Increased government investment, both local and international, in innovation funding and support.
- Growing numbers of successful investors, entrepreneurs, and exits, reflecting the increasing diversity and success within the ecosystem.

While much of the startup activity is concentrated in the economic hubs of Johannesburg and Cape Town, the collective efforts of the ecosystem have yielded significant results across the country. These results include:

- A vibrant and expanding startup ecosystem predominantly led by the private sector;
- growth in the number and size of funds, both local and international, available for early-stage investments, especially at the VC stage;
- proliferation of startup support and acceleration programs; and
- increased availability of seed funding options

***"The fact that South Africa has been resilient in 2024 can be partly explained by the fact that South Africa is not heavily dependent on capital from foreign investment firms. While there is a general slowdown, more funds in South Africa are closing compared to elsewhere on the continent." states Ayanda Bolani, investment analyst at Knife Capital."***

from the government; and a surge in startups across various tech sub-sectors, including fintech, mobility & logistics, healthtech, and edtech, leveraging innovative technologies such as the Internet of Things (IoT), artificial intelligence (AI), machine learning, and blockchain.

South Africa's thriving startup ecosystem, driven by collaborative efforts, policy changes, and a dynamic mix of investors and entrepreneurs, positions the country as a leading force in African innovation and entrepreneurship.

Entrepreneurship in South Africa stands as a linchpin in the nation's economic development, wielding substantial influence as a catalyst for growth, innovation, job creation, and wealth generation. This pivotal role is instrumental in the concerted effort to alleviate poverty and reduce inequality, marking a significant stride toward a more inclusive and prosperous society. The entrepreneurship ecosystem in South Africa is a dynamic tapestry interwoven with crucial elements, encompassing government policies, financial support mechanisms, robust networks, and facilitated access to markets.

Over the past few years, South Africa has made remarkable strides in fortifying its entrepreneurship ecosystem, with government support emerging as a linchpin in this transformative journey. A proactive stance is evident in the implementation of policies and programs designed to nurture entrepreneurship. Tax incentives, small business development grants, and the establishment of incubators and accelerators underscore the government's commitment to fostering an environment conducive to entrepreneurial endeavors.

The impact of government initiatives cannot be overstated, with notable programs such as the Technology Innovation Agency (TIA), the National Development Plan (NDP), and the Small Enterprise Development Agency (SEDA) taking center stage. These initiatives not only provide critical funding but also offer essential business development support, mentorship, and valuable resources to startups. The establishment of the Small Enterprise Finance Agency (SEFA) further addresses a key challenge faced by entrepreneurs — their struggle to access finance, venture capital, and angel investors.

Initiatives like the South African Small Enterprise Development Agency (SEDA), the Industrial Development Corporation (IDC), and the Technology Innovation Agency (TIA) contribute significantly to the entrepreneurial landscape. Offering comprehensive support, including training, mentorship, loan support, equity investments, grants, and funding for research and development projects in burgeoning fields such as biotechnology, nanotechnology, and artificial intelligence, these initiatives create an enabling environment for entrepreneurship to flourish.

"The government has made provision for funding (e.g., NEF, IDC and other development funds). However, getting access to them is quite tedious, and serves as a barrier to access by the very demographic they are targeting." emphasizes Jhana Weltman, associate principal at Nedbank."

The entrepreneurial landscape in South Africa spans a diverse array of industries, including technology, renewable energy, healthcare, and e-commerce, where innovative ventures in fintech, agritech, and sustainability solutions are reshaping traditional paradigms and attracting both local and international investments.

In contrast to South Africa's challenging year, 2022 witnessed a record-breaking period for tech startups across the entire African continent, with over 600 startups securing an impressive $3.3 billion in funding. However, the momentum saw a notable dip during Q1 2023, with African tech startups receiving only $649 million, marking a substantial 57.2% decline compared to the same period in 2022. Despite these challenges, the entrepreneurial spirit thrives, and South Africa's cities stand out in the global startup landscape. In 2023, Cape Town led the pack as the best city for startups in the country, earning a total score of 5.19 and ranking 136th worldwide. Other notable cities for startup activities included Johannesburg, Pretoria, and Durban.

The funding landscape in South Africa reflects a dynamic mix of industries securing substantial investments. For the Nedbank Venture Capital team, advancements were notable in conversational AI, regulatory tech, edtech, data tech and health-tech sectors particularly although fintech's are still prevalent. In 2023, the e-health platform Envisionit Deep AI secured over $1.65 million, while Planet42, a car subscription company, received over $100 million. Additional noteworthy investments included Lulalend raising US$35 million, Carry1st securing$27 million, and Naked, an insurance and tech company, receiving $17 million. As of May 2022, South Africa boasted at least 490 operational tech startups, collectively employing over 11,000 people. Notably, the country led April's deals, securing 49.1% of the total deals, amounting to about $63.7 million. However, diversity remains a challenge in the sector, with less than 15% of startups having a female co-founder. The funding trajectory in South Africa has seen 357 individual tech startups raising a cumulative $993,684,600 between January 2015 and May 2022. In April 2023, Africa saw 23 fully disclosed raises by startups, totaling $129.8 million.

Key investment announcements further shaped the landscape, with Amazon committing to invest $1.8 billion in its cloud services in South Africa by 2029. Cassava Technologies pledged an additional $250 million in investments through its business units - Liquid Intelligent Technologies, Africa Data Centres, and Distributed Power Africa. However, the funding scenario across Africa faced challenges, with startups in the continent raising $1.3 billion in equity ($2.2 billion if debt is included) by the end of August 2023. This marked a 57% decline compared to the same period in the previous year, reflecting a broader trend of reduced equity funding in the first nine months of 2023 compared to 2022 and 2021.

***"The government has made provision for funding (e.g., NEF, IDC and other development funds). However, getting access to them is quite tedious, and serves as a barrier to access by the very demographic they are targeting." emphasizes Jhana Weltman, associate principal at Nedbank."***


# Nigeria

At last, coming at the fourth spot, In 2023, Nigeria experienced a significant shift in its startup landscape, marked by a substantial reduction in venture funding, which declined by two-thirds to $410 million compared to $1.2 billion in 2022 and $1.7 billion in 2021.

The rapid growth of Nigeria's startup ecosystem over the past five years is attributed to the collaborative efforts of local and international partners. Local incubators and international initiatives have played a crucial role in understanding and supporting the unique needs of the Nigerian tech ecosystem. The ongoing partnership between these entities has not only given rise to innovative solutions but has also served as a source of inspiration for the next generation of entrepreneurs.

"Nigeria is one of the more mature ecosystems on the African continent. This ecosystem is comprised of several local and global tech hubs, accelerators, public & private entrepreneurship programs, and a huge network of local founders. Several angel investors (such as Lagos Angel Network or Rising Tide Africa) and micro funds (i.e. Less than $10 million funds) have been able to make tremendous efforts to fund Nigerian entrepreneurs and help facilitate the entry of foreign fund providers (LPs & Global VCs) in the market," states Jordy Kiange Beni, Senior Investment Associate at Octerra Capital, Sector Agnostic Pan-African early stage VC fund based in Lagos.

Jordy Kiange Beni adds on by highlighting that today, Nigeria has the biggest contingent of startups on the African continent with more than 3x more startups than Kenya (*more than 3,600 registered startups in early 2023 according to Statista*), with more than 500 startups succeeding in raising more than $100k in 2023 (based on the Briter Bridges 2023 Africa Investment report) and we already saw several companies such as Flutterwave or Paystack being valued more than $1 billion reaching the unicorn status.

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**A Key Note** | How to Achieve Ecosystem Maturuty in West Africa vs the rest of Africa by Ben Marrell

general scepticism of investors following the Silicon Valley Bank (SVB) crisis, it was mostly business as usual in Nigeria. Though investors spent more on due diligence, the startups solving serious problems with solid business models, clear paths to profitability, and strong management teams attracted the funding and support they sought" states Sylvester Kay-Adade II, market research lead at Ingressive Capital.

While 2023 posed challenges such as funding declines, layoffs, and startup closures, the Nigerian tech ecosystem celebrated significant policy wins. The adoption of open banking regulations, making Nigeria the first in Africa, marked a pivotal moment, allowing banks to share customer data with third-party service providers. Osun State made headlines by canceling right-of-way fees, aiming to attract startups by facilitating the laying of fiber optic cables. The state also expressed domesticate the Nigerian Startup Act 2022 quickly after approval of the Nigerian Federal Government.

The Nigerian government demonstrated its commitment to fostering innovation by launching the $618 million Investment in Digital and Creative Enterprises (iDICE) initiative in March 2023. This fund aims to promote entrepreneurship in the digital, technology, and creative sectors. The year also saw the new Nigerian President Bola Ahmed Tinubu signing the Nigeria Data Protection Bill 2023 into law, providing a legal framework for safeguarding personal information. May brought a twist as the Central Bank of Nigeria (CBN) revoked operating licenses for over a hundred financial institutions, including the digital bank Eyowo, for non-compliance. June saw the signing of the Nigeria Data Protection Bill 2023 into law, setting a framework for the protection and regulation of personal information. In August, Bosun Tijani, co-founder of CcHub, a renowned tech incubator, assumed the role of Nigeria's Minister of Communications, Innovation, and Digital Economy. This appointment injected optimism into Nigeria's tech ecosystem, and in October, Tijani unveiled plans to train "three million technical talents" in four years. In addition, the launch of Nigeria's Startup Support and Engagement Portal was a crucial step following the enactment of the Startup Act. The portal facilitates the labeling of Nigerian startups

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and the registration of various ecosystem stakeholders, offering benefits such as tax incentives, access to financial resources, and collaboration with relevant government agencies. These initiatives collectively leave a trail of both opportunities and unforeseen challenges for the Nigerian tech ecosystem in the upcoming year.

In 2023, the Nigerian startup ecosystem navigated a tumultuous journey marked by both challenges and triumphs, with funding emerging as a pivotal factor shaping their course. A sense of caution gripped local and foreign investors, leading to closures for several noteworthy startups, including 54gene, Pivo, Bundle, Vibra, PayDay, Pillow, LazerPay, and Hytch. Operational difficulties, co-founder conflicts, and a broader funding crisis were cited as contributors to their financial struggles. Investor discernment sharpened, emphasizing prudent financial management, realistic budgets, and viable revenue models. Instances of fund mismanagement, allegations of fraud, and unsustainable lifestyles among startup founders fueled investor scepticism, fostering a more cautious investment landscape.

“2023 also highlighted the adaptability and resourcefulness of Nigerian startups. Many pivoted their business models to seize emerging opportunities brought about by the changing economic conditions while others maintained operations by adopting leaner models and improving cash flow management. This was a testament to the inherent resilience and creativity in the Nigerian entrepreneurial landscape.” states Jordy Kiange Beni.

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The Nigerian startup ecosystem has witnessed remarkable growth across diverse industries, with key sectors contributing to this flourishing landscape:

**FinTech:** Undoubtedly, Nigeria’s fintech sector stands out as a frontrunner in the African startup scene. Comprising 36% of the country’s startups, according to PwC, fintech companies have played a pivotal role in enhancing financial inclusion. Notable entities such as Flutterwave, Paystack (recently acquired by Stripe), Chipper Cash, Cowrywise, Bamboo, Risevest, PiggyVest, OPay, and Moniepoint Inc have not only garnered international recognition but have also attracted substantial investments. These FinTech innovators facilitate secure digital transactions and provide banking services, particularly addressing the needs of the unbanked population.

**EdTech:** In Nigeria, the edtech sector is experienc-

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ing rapid growth, leveraging technology to make education more accessible. Startups like uLesson, Gradely, and PrepClass have emerged as leaders, offering online learning platforms, virtual classrooms, and educational apps. By harnessing technology, these startups contribute to the improvement of the overall learning experience.

**HealthTech:** Healthtech, a booming sector globally, has found strong footing in Nigeria. With a focus on providing telemedicine platforms, digital health records, and mobile health applications, startups like Flying Doctors Nigeria and Reliance Health are transforming healthcare accessibility and management. These initiatives play a crucial role in addressing healthcare challenges and enhancing overall health outcomes.

**AgriTech:** Nigeria's agritech startups are spearheading a technological revolution in the agricultural sector. Through the utilization of remote sensing and data analytics, these companies enhance farm management, optimize supply chains, and facilitate market access. ThriveAgric is a notable agritech startup empowering farmers with real-time information, financing options, and modern agricultural practices, leading to increased productivity and reduced post-harvest losses.

In addition, according to Sylvester, key startups gained prominence in 2023 such as Shekel Mobility, an innovative platform for auto dealers to find, finance, and sell cars gained some prominence. It raised around $2 million in its pre-Seed round in January and another $7 million in its Seed round in November. Y Combinator, Ventures Platform, and Voltron Capital are among its notable investors. Another, WATT Renewables Corporation, a renewable energy firm, was able to raise $13 million in

funding. Notable funding rounds in the tech sector of Nigeria in 2023 included Moove raised $ 76 million from several world-class investors including Mubadala Investment Company Abu Dhabi and Black-Rock. Sabi raised $ 38 million in its Series B with Norrsken22 as the lead investor in the round. LemFi also raised $ 33 million in Series A from several investors including Y Combinator and Global Founders Capital. Helium Health and Nomba both raised more than $ 30 million in Series B notably from AXA IM Alts, Capria Ventures and Flat World Partners, and in pre-Series B from Base10 Partners, Helios Digital Ventures, Shopify, and Partech, respectively.

Two startups that stood out and deserve to be mentioned according to Jordy Kiange Beni for various reasons are:

- Herconomy – a digital solution that offers women access to financial services that include savings and discounts in Nigeria – that achieved a remarkable feat by securing over $500,000 million from exclusively angel investors — an achievement that stands out in the ecosystem, particularly considering the limited presence of retail investors in this space.
- Edves – a startup specialized in digitalizing & automating education operations for schools – that succeeded in signing a contract with the government of Kogi State to digitalize more than 2,000 public schools which will allow the startup to directly create an impact in underserved communities, especially in a state where the median age is 16 years old. This is another example showcasing that startups in the continent can help us fix structural problems.

The success and growth observed in these industries not only showcase the entrepreneurial prowess within the Nigerian startup ecosystem but also highlight the significant impact these startups are making on financial services, education, healthcare, and agriculture. As these sectors continue to evolve, they contribute not only to the local economy but also to position Nigeria as a key player in the broader global startup landscape.

2.2

# Francophone Africa's Ecosystems Emerging As A Rival To The Big Four

In 2023, Francophone Africa emerged as a formidable force in the African startup landscape, raising all together approximately $230 million in 2023 (according to the big deal), challenging expectations and extending its influence beyond linguistic confines. Benin and the Democratic Republic of Congo (DRC) notably surged in startup fundraising, positioning them just behind the dominant Big Four markets, a development poised to elevate awareness and attract investor growth capital.

The Francophone region presents abundant opportunities for businesses to flourish, driven by factors such as the widespread use of the CFA currency across 14 countries, accounting for 12% of Africa's GDP. With a stable currency pegged to the Euro, these economies boast stability, a key attraction for investors. Additionally, six out of the seven fastest-growing economies in Sub-Saharan Africa, as identified by the IMF, are Francophone countries, contributing to a flourishing ecosystem. The region's shared currency, language, and cultures offer a strategic advantage for tech startups, facilitating seamless regional expansion.

Francophone Africa is defined as a zone where French is spoken as one of the official languages including four main zones (Hannah Subayi, partner at Launch Africa Ventures):

- North Africa (Morocco, Tunisia, Algeria): Closer to Europe from a business perspective, they have their own floating currencies and developed ecosystem (ESO, local VC industries and ability to expand regionally or even sell internationally to UAE or outside of Africa).
- West Africa (UEMOA region, including Senegal and Togo): This region represents mature tech ventures that have raised series A and beyond and have built businesses expanding over Sub-Saharan Africa using the Franc CFA as the main currency. Currently growing and becoming more attractive to VC funds as technical, francophone African countries in this particular region have well-travelled founders with solutions easily expandable to neighbouring countries, one central bank which makes transactions easier, and lots of DFIs and financial institutions on the ground removing funding risks.
- Central Africa: This region is attractive from a currency perspective and from a strong technical startups founders perspective (i.e Waspito – health tech & Ejara – fintech)
- Madagascar & Mauritius: These are smaller markets with few opportunities in ed-tech, and also interesting angel investment and fund investment industries.

According to Hannah Subayi, the emergence of Francophone Africa can widely be explained by the underperformance of the big four markets (macroeconomics, inflation, politics, FX, valuation and business issues faced in those regions that have also been overfinanced in the past few years), great stability with the same currency (often pegged to the euro and/or USD), clear legal frameworks (OHADA legislation for West and Central Africa – copied from French legislation), with a renewed attractiveness of Francophone Africa where investors would not face currency or capital repatriation issues to some extent (compared to some of the Big Four), an improved deal structuring system with start-ups incorporated in robust domiciles (Paris, Delaware), an increased number of quality ecosystem support organizations (ESOs)  including venture studios such as DER in Senegal), and an increased level of activity of angel investments (ABAN, etc).

Alyune-Blondin Diop, an investment professional at LoftyInc Capital Management and angel investor, adds by stating that some of the prominent VC funds who have been fundraising recently need to show that if they want to reach a certain fund size, they can be truly pan-african. And in terms of deal flow, if you want to be truly pan-African after the big four and maybe Ghana, you need to look at Francophone African countries. This is also an area where DFIs, who are funding a lot of the large VC funds, start to focus more on. “In addition,  through M&A, startups from the Big Four, and especially Nigeria, are also wanting to have access to hard currency-denominated revenue provided by the CFA franc which is pegged to the Euro in the WAEMU zone, and trying to enter other markets, whether organically or through acquisitions. And that’s a trend that we’ve seen across 2023 as we’re advising

***Altech, a clean energy company, claimed the top spot among Africa’s fastest-growing companies, signaling a thriving sector.***

a number of our portfolio companies, for instance, at the moment when they are engaged in discussions with francophone African startups" he adds.

Despite the lack of concerted efforts among Francophone countries, individual success stories shine. The DRC secured a significant place in the Francophone space, with startups raising $62 million in 2023. Altech, a clean energy company, claimed the top spot among Africa's fastest-growing companies, signalling a thriving sector. Senegal is as well still reaping the benefits of the wave success story. "You see a lot of innovation happening there. A lot of middle managers from traditional companies are now starting their entrepreneurial journey and building startups, probably on the verge of the Wave success story. But also we start to have what I call the second generation of startups emerging, founded by former employees of the likes of Wave, Anka and others. It is truly impressive and exciting for the future" highlights Alyune-Blondin Diop.

Algeria, Tunisia, and Morocco collectively raised $23 million in 2023, with notable exits like InstaDeep and Expensya positioning Tunisia as potential Big Four leaders if exits were factored into the funding equation in this report. Tunisia's Startup Act 2018, a blueprint for many African countries, exemplifies the impact of participatory legislation, fostering innovation and continuous investment in Tunisian startups. The Tunisian Startup Act has been instrumental to the country's startup growth. Unlike other laws that emanate from government representatives or members of parliament, the Tunisian Startup Act adopted a participatory approach that accommodated opinions of actors within the startup ecosystem—entrepreneurs, investors, civil societies, legislatures etc. The Startup Act with the mission to spur innovation demand and foster entrepreneurship in the country seems to be working as Tunisian startups are receiving continuous investments and participation from global players. Some additional Francophone governments such as Senegal, have enacted Startup Acts, with Côte d'Ivoire launching its own Ivorian Startup Act in 2023. Government initiatives, like Tunisia's national program offering startup grants, play a crucial role in accelerating the startup ecosystem. However, a more collaborative effort among Francophone countries is essential to establish the region as a unified tech powerhouse, leveraging shared language, currency, and culture for collective success.

According to Hannah Subayi, the major challenges still faced by the tech ecosystem in Francophone Africa during 2023 are that traction remains limited (due to size of market, limited purchasing power, talent shortage in some Francophone African countries, with the culture slightly less entrepreneurial and digitalised, but changing and evolving), capital available remains limited (despite growth of the VC industry, capital still lacking at the ideation / MVP phase), and securing large corporates, government and businesses as sustainable recurring profitable clients can be trickier than other geographies.

While entrepreneurial culture remains a challenge across Francophone Africa, governments are making strides to boost startup ecosystems. Fintech startups are gaining ground, exemplified by Tuma's $500,000 funding round in the DRC and VaultPay's selection for Y Combinator's 2023 summer class. Benin focuses on enhancing internet penetration and digitizing the public sector, signalling the nation's commitment to nurturing its nascent startup ecosystem.

“What is undeniable though is a confirmed interest from investors in every corner of Africa to widen their scope and start actively looking at opportunities in francophone countries. That can be explained by the natural fact that these investors have consolidated solid roots in the markets that they know most and start educating themselves to new regions, and by the fact that many startups have demonstrated the region’s potential, a few exits in the form of M&A happened recently, and the local ecosystems seem more and more easy to penetrate with now several successful expansions within the region.” states Abderrhamane Chaoui, Founder & CEO of Sendemo.

# 2.3 The Winter Season, an opportune time for the African Tech Ecosystem

Navigating the funding landscape has been a formidable challenge for African tech startups, marking a stark shift from the preceding years of robust growth. The downturn in venture capital availability, coupled with the prevalence of bridge and down rounds, has disrupted the trajectory of startups and scale-ups across the continent. Last year’s funding environment witnessed a market correction, challenging the prevailing narrative of growth at any cost.


The repercussions of this correction were most acutely felt by growth-stage companies, which, previously riding the wave of abundant funding and lofty valuations, now faced a harsh reality. Many of these companies, once emblematic of the "growth at all costs" ethos, were compelled to recalibrate their strategies, emphasizing profitability over unchecked expansion.

Data highlights a significant reliance on foreign venture capitalists, constituting approximately 77% of venture funding in Africa. The withdrawal of well-backed foreign VCs from the continent has accentuated the funding gap, as these investors redirect their focus to primary markets, becoming more discerning in their investment decisions. The scarcity of significant checks from these VCs poses a challenge for African enterprises seeking capital infusion.

In navigating this funding winter, founders are urged to acknowledge the existing capital limitations and pivot toward creating customer value and driving revenue. The imperative to build resilient businesses capable of withstanding diverse market conditions, including funding downturns, is emphasized. The current funding climate serves as a litmus test, unveiling the vulnerabilities of certain business models, particularly evident in the challenges faced by B2B e-commerce companies with unfavorable unit economics and high burn rates.

However, amidst the challenges, there is room for introspection and adaptation. The funding downturn serves as an opportunity for founders to assess what works and what doesn't in the African market. It has revealed that oversized funding rounds are insufficient to compensate for flawed business models. Founders are advised to prioritize a deep understanding of their markets, opting for a measured approach to funding. The emphasis is placed on achieving product-market-fit (PMF) and go-to-market fit (GMF) with minimal funding, fostering profitability as the foundation before pursuing expansive growth.

The prevailing narrative underscores the importance of patience and strategic planning for African startups. Building a substantial company in Africa requires time, often extending beyond the typical investment horizon of foreign funds. The funding winter, while challenging, presents an opportunity for recalibration, resilience-building, and a renewed focus on sustainable growth.


Panel discussion | Fundraising in winter times


Africa faced the most substantial YoY decline in equity funding among all continents, marking a notable contrast with the more positive three-year trend it has sustained. Despite this setback, the continent still grapples with a stark underinvestment scenario, accounting for less than 1% of the global equity funding landscape. In comparison, North America, Europe and the Asia-Pacific region command tens of billions of dollars annually, with Latin America emerging as the only region comparable to Africa, securing twice as much funding in 2023.

The absolute figures underscore the significant challenges Africa faces in attracting substantial equity funding, as the funding gap remains evident. Latin America, while presenting a closer parallel to Africa, surpassed the continent's funding levels in 2023, maintaining a trend observed in the previous year. However, it is noteworthy that the funding gap has narrowed compared to the significant disparity observed in 2021.

The disparity becomes even more pronounced when considering individual countries. For instance, Brazil alone, with $1.9 billion in equity funding in 2023, surpasses the entire African continent, which secured $1.7 billion. Further accentuating the gap, India, with a demographic scale comparable to Africa, attracted over $7 billion in equity funding during the same period.

Amidst these challenges, there emerges a glimmer of optimism when examining the longer-term trajectory. The broader trend reveals that Africa, along with Europe, stands out as one of the two regions that experienced growth in equity funding between 2020 and 2023. This positive trajectory, marked by a 76% YoY growth, distinguishes Africa from Asia Pacific and Latin America, where equity funding contracted by -39% and -43%, respectively, during the same period.

While the current equity funding landscape for Africa remains challenging and disproportionately small in global terms, the sustained positive trend over the three-year period signals resilience and potential for growth. The continent's ability to navigate and grow amidst global challenges positions it as a region with long-term prospects, presenting opportunities for continued development and investment.

## KEY TAKEAWAYS

- The Big Four secured 87% of Africa's startup funding, marking their highest share since 2019.
- Kenya: International investors, tech-savvy population, and mobile money innovation.
- Egypt: Proximity with the Middle East market, strong academia, and dynamic local investors.
- South Africa: Developed VC network, high internet penetration, and strong academia.
- Nigeria: Large customer market, low regulation and strong anchor with the US.
- Francophone Africa: Francophone Africa emerged as a formidable force in the African startup landscape, with a widespread use of the CFA currency across 14 countries.

SECTION 3

# Africa's Tech Sector Trends: Unveiling the Landscape for 2023

3.1

## Introduction

Data from tech sector reports such as the Africa: The Big Deal, Briter Bridges and Partech reports for 2023 suggest a notable downturn in investments raised across all tech sectors within Africa during 2023. This decline follows a period of consistent expansion and outstanding achievements for startups in Africa, especially in 2021 and 2022. The downturn or "fundraising winter" in investment is not solely isolated to Africa but is global with most continental tech ecosystems experiencing a downturn or slow down in the flow of funds and activity due to global macroeconomics and the collapse of some venture capital banks at the start of the year such as Silicon Bank.

With investors and funds holding onto their capital throughout three quarters of 2023, raising venture capital turned out to be a daunting endeavor for Africa's tech startups which led to a series of closures and employee lay-offs for some African startups in the last two quarters of the year. The most notable sectors that were affected by the fundraising winter were fintech, edtech and logistics with notable staff layoffs from Wave, Chipper Cash and Jumia and the closing down of Dash. However, there were some tech sectors in Africa that were resilient during the slow down that continued in growth even though their total investment was much less than 2021 and 2022.

These sectors are attached to the loose grouping under the term climate or green tech. Cleantech and agritech remained strong in the growth against the fintech sector in Africa with some of the biggest deals of the year going to cleantech startups.

In addition to the above, the emergence of AI in the tech ecosystem of Africa has had an impact across all the sectors with most startups embracing the new technology into their own products, services and technology. Since the $683 million acquisition of InstaDeep in 2022, hundreds of startups have integrated AI into their business operations across the sectors.

In the following sections of this chapter, one will provide an overview for the top performing tech sectors of 2023 that were also highlighted at AfricArena's Africa Tour Summits in discussion and innovation challenges. These sectors are fintech, climate-tech (including cleantech and agritech) and healthtech. We chose these three sectors to engage with and analyze due to the significance of deals and investments within these three sectors in 2023 as well as the common reference of analysis at AfricArena's tour summits across Africa in 2023.


*Source: The --, 2023*

# 3.2 Fintech in Africa

Although the African fintech sector during 2023 experienced a slow down in investments and had some wobbles along the way with staff layoffs and a few closures, there was still a dominant showing of deals made in 2023. According to (Afridigest, 2024), hundred and sixty nine deals were made during 2023 that brought in $1.55 billion (Afridigest, 2024). Over one third of that investment came from debt financing, thus showing a growth in hybrid fundraising due to the lack of available venture capital funds in 2023. Venture capital investment into the sector dropped by 43% and 41% in the number of deals made (Afridigest, 2024). A lot of the success in raising investment comes from Egypt's MNT-Halan raising over $400 million in 2023 that included a historic $200 million from Chimera Investments. However, both The Big Deal and the Partech reports do not include MNT Halan's deal due to the fact that the core of MNT-Halan's founders do not come from Africa, with the company's financial headquarters being in the US and its operations in Egypt.

## 2023 AFRICA FINTECH DEAL SUMMARY

| TOTAL FUNDING | EQUITY FUNDING | DEBT FUNDING |
|---|---|---|
| $1.55B | $900M | $647M |
| ▼ -24% YoY | ▼ -43% YoY | ▲ +34% YoY |
| 169 DEALS | 139 DEALS | 30 DEALS |
| ▼ -37% YoY | ▼ -41% YoY | ▼ -6% YoY |

**EGYPT**
35% of 2023 fintech funding
10% of 2023 fintech deals

**NIGERIA**
16% of 2023 fin. funding
36% of 2023 deals

**SOUTH AFRICA**
24% of 2023 fintech funding
15% of 2023 deals

**KENYA**
19% of 2023 fintech funding
14% of 2023 deals

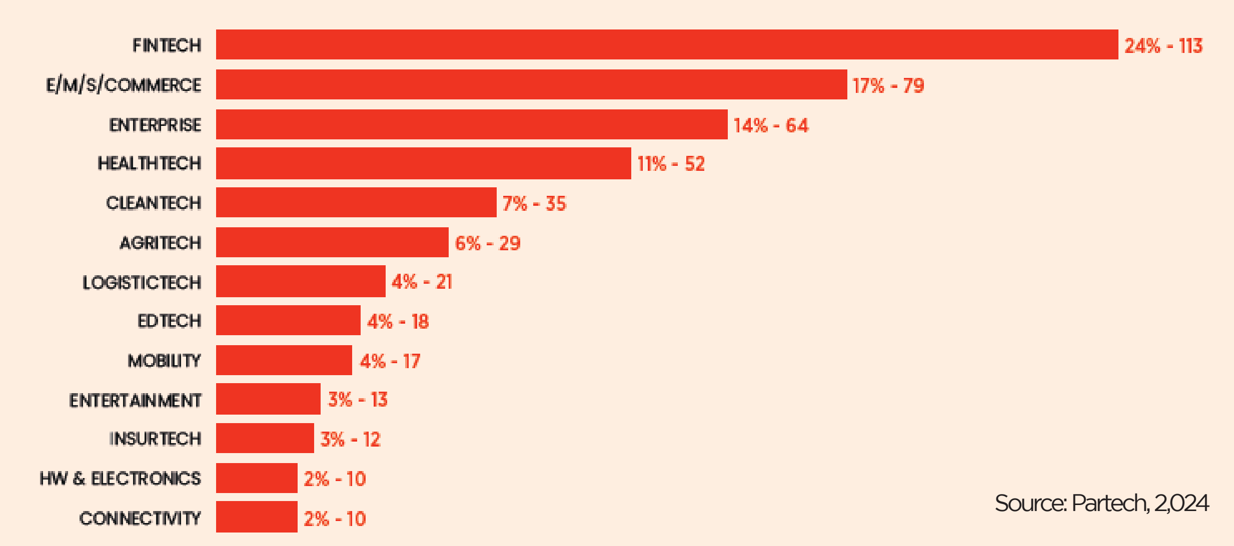
TOTAL 2023 FINTECH FUNDING

| BY COUNTRY | $M | DEALS |
|---|---|---|
| 1. Egypt | 541 | 17 |
| 2. South Africa | 367 | 25 |
| 3. Kenya | 301 | 23 |
| 4. Nigeria | 243 | 60 |
| 5. Morocco | 62 | 5 |
| 6. Zambia | 12 | 4 |
| 7. Rwanda | 6 | 2 |
| 8. Guinea | 3.3 | 2 |
| 9. Ghana | 2.6 | 7 |
| 10. Uganda | 2.6 | 6 |
| 11. Tanzania | 2.6 | 2 |
| 12. DRC | 1.0 | 2 |
| 13. Ethiopia | 1.0 | 2 |
| 14. Cameroon | 0.6 | 5 |
| 15. Tunisia | 0.4 | 1 |

AFRIDIGEST

Source: Afridigest 2024

**2023 AFRICA TECH VC - TOP ACTIVE VERTICALS (EQUITY DEAL COUNT)**
Partech Analysis 2023




Source: Partech, 2,024

Figure 20 I Key sector breakdown by deals count in 2023

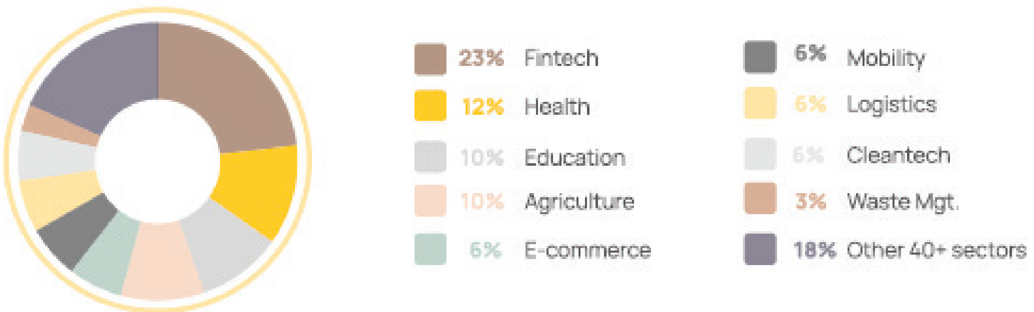
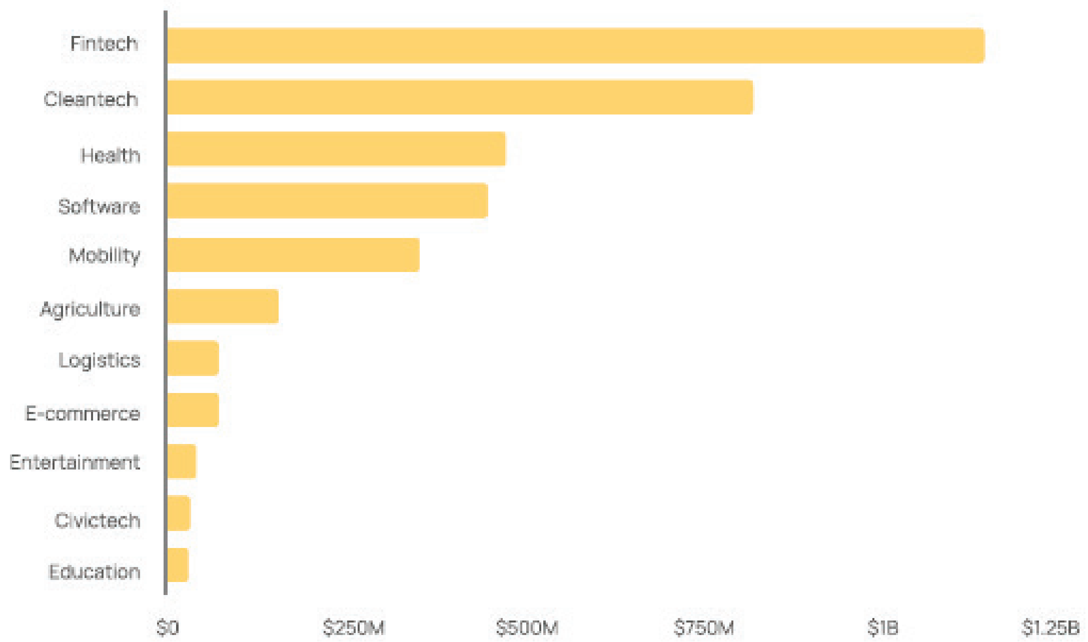



Figure 21 I Key sector breakdown by total funding in 2023




Source: Briter Bridges 2024

In the Partech Report (2024), it is stated that "Fintech held its position as the leading sector in the African tech ecosystem, attracting $852 million across 113 deals", and accounting for 24% of all deals across all the tech sectors within Africa. However, it did experience a "48% decline from last year's 217 count" (Partech, 2024). They have not included the MTN-Halan deal in their analysis. In the Briter Bridges report, fintech captured 25% of the market and reached investments of almost $1.25 billion.

Even with this decline, the sector will remain Africa's most investable and dominant sector even as emerging sectors like cleantech and agritech gain ground in the investment landscape (Partech, 2024). This is because African and international investors see the fintech sector in Africa as a mature sector that has been validated over the last seven years with a proven track record. In addition, one of Africa's highest revenue-generating sectors, besides mining, is the financial services sector. Countries like South Africa have well established banking sectors that are an indispensable part of the country's economic fabric and thus migrate a lot of risk for investors. This may be why the fintech sector in South Africa had such a good year in relation to Nigeria who had a dip in the total amount of investment that came into the country for fintech even though 60 deals were made to South Africa's 25 deals.

From the analyses discussed in chapter 1 and chapter 2, it seems that with the downturn in investments and the slowdown of fundraising activity during a volatile period, the Big Four tech ecosystems balanced themselves out to being almost equal in the volume of investment. This trend could be highlighted as the same within the fintech sector where Nigeria used to dominate but has lost gains to South Africa and Kenya who have grown with a lot more mature and growth stage investments into Series B and C fintech startups like M-KOPA and TymeBank.

Foreign investors from the Gulf states, the USA and Europe played a key role in these investments into later stage fintech startups such as the ones above. However, the biggest funders of this year into the sector were the public funders and Development Finance Institutions (DFI) who became the heroes and lifeline to startups in both the fintech, clean-tech sectors (Briter Bridges, 2024). Due to a fundraising winter in which most funds held onto the cash, DFIs were able to bridge the gap with debt financing and bring a rise to hybrid deal flows involving both equity and debt and a consortium of investors ranging from corporates to venture capitalists.

3.2.1

# Fintech Startups of the Year:

Currently as of 2024, there are 678 active fintech startups in Africa, marking a 17.7% increase since 2021. The majority of these startups are concentrated in the continent's top tech hubs, namely Nigeria (32%), South Africa (20.6%), Kenya (15 percent), and Egypt (9.6%). The top 20 invested startups of 2023 included eight fintech companies. These companies represented a range of fintech categories, including digital financial planning, neobanking, and digital payment

Here are top ten fintech startups of 2023:

1. OPay (Nigeria) - $400 million
2. MTN-Halan (Egypt) - $400 million
3. M-Kopa (Kenya) - $250 million
4. TymeBank (South Africa) $77.8 million
5. Moove (Nigeria) - $76 million
6. Cashplus (Morocco) - $60 million
7. Lulalend (South Africa) - $35 million
8. LemFi (Nigeria) - $33 million
9. Peach Payments (South Africa) - $31 million
10. Nomba (Nigeria) - $30 million

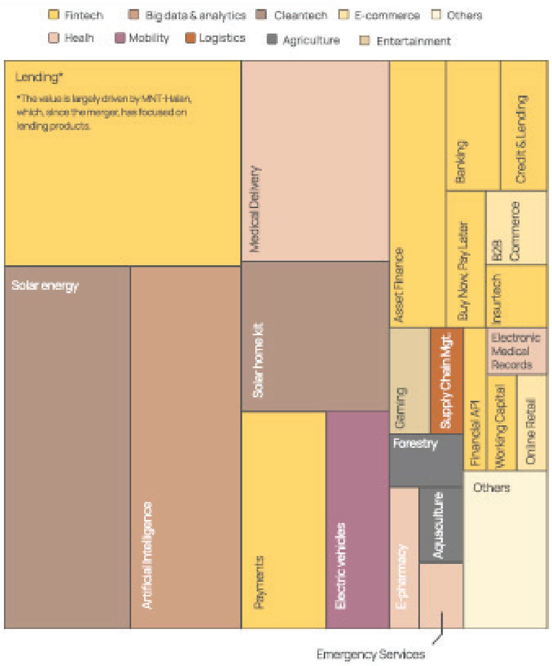
From the above list and analysis of The Big Deal, Briter Bridges and Partech reports, South African fintech startups had a good year with South Africa leading in most gain of investment in the last three years. Kenyan startups have also done well while emerging fintech ecosystems in Morocco and Senegal are giving rise to some mature startups who are securing big deals. However, Nigeria is still the powerhouse fintech ecosystem of Africa with four Nigerian fintech startups in the top 10 with a total investment amount of $539 million. What one should highlight from these top 10 fintech startups is that financial lending and your neobank or mobile banks have become the popular services or product offering of fintech startups that have secured large investments. Asset financing, banking, payments and credit lead the services and product offerings provided by the African fintech startups according to Briter Bridges (2024).

The African fintech startups to watch out for in 2024 in terms of their growth and early stage investments that dominated the deal flow for 2023, are the following:

1. Pezesha (Kenya) - Digital Finance
2. Brass (Nigeria) - Mobile banking services
3. PayDay (Kenya) - Neobank
4. Kwara (Kenya) - Neobank
5. IQPay (South Africa) - Biometric banking

How I Scaled My Business - Founder's Success Story | A Keynote by Heba Hakky (Liwwa)

Figure 22 I Key product breakdown by total funding in 2023



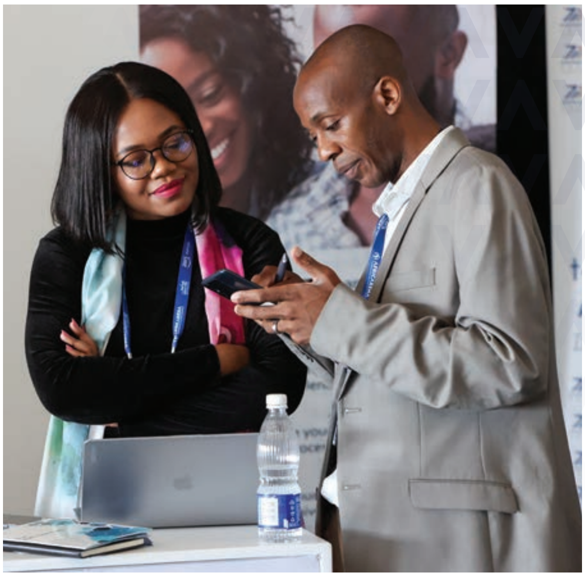
3.2.2

## African Fintech Ecosystems:

Nigeria is Africa's largest fintech ecosystem in Africa. Due to its large population and growing mobile and online consumer base, the fintech sector continues to grow in the country even when there is a downturn in investments and the global economy. Nigeria secured 60 deals last year that amounted to $243 million investment (Afridigest, 2024). Nigeria boasts some of Africa's largest fintech companies such as OPay which specialize in neobanking and digital payments and were among the top African fintech companies in 2023.

Nigeria has the most matured fintech ecosystem on the African continent and has been the top continent in the most deals and investment since it took over the number one spot from South Africa in 2018. The country has some of the biggest fintech startups in Africa and globally such as Moove, FairMoney, Yellow Card, Smile ID, Nomba and Flutterwave. Flutterwave achieved unicorn status in 2022, the first in the fintech sector in Africa.

However, this year Egypt took the highest amount of investment into the fintech sector of their country for 2023 with the MTN-Halan deal of $400 million. Egyptian fintech startups secured $541 million in investment for 2023. Egypt, one of the largest economies on the continent, was among the earliest fintech pioneers in Africa, benefiting from its close ties with the European and Middle East economies. According to FinTech Egypt's 2023 FinTech Landscape Report, investments into the Egyptian fintech sector soared to $796.5 million in 2022. Capital investments surged by a staggering 28.7 times during 2020, 2021 and 2022. The surge in investments is because of government financial and



banking policy initiatives over the last half decade that have aimed at digitizing the Egyptian economy and including the informal sector into the formal banking system through mobile banking. Policy and strategy plans such as the Central Bank of Egypt and its Financial Inclusion Strategy for 2022-2025 has acted as a catalyst to this progression.

According to this strategy report, 95% of Egyptian fintechs (168) are headquartered in Egypt with only a few large fintech startups being affiliated to foreign incorporation locations such as in Delaware. MTN-Halan is one of those startups that have their financial headquarters elsewhere but their operations in the country. The fintech sector of Egypt mostly resides in the tech cities of Cairo and Giza that build digital and network infrastructures as well as venture capital fund companies. Venture capital and angel investors within the country, Africa and Europe share the overall investments in fintech startups since 2019 with an average 65% of all the deals. Another significant trend that has assisted the fintech sector in Egypt is the banking sector adoption of the financial technologies into their ecosystems. A lot of Egyptian banks have secured partnerships with Egyptian fintech startups in the development of financial and banking products for their consumers while a number of banks have also invested into a number of Fintech startups and become LPs to the sector.

However, due to the global investment slow down and fundraising winter of 2023, Egypt also experienced a downturn in deals like Nigeria with only 16 deals made during 2023 according to Afridigest (2024). Thus, their position at the top of total investment is only because of the MTN-Halan. If you take out the MTN-Halan deal from the investment insights as the Big Deal did, Egypt fintech tech startups only secured $141 million in investments, putting it last in the Big Four and just above Morocco. Yet, most reports do post a positive projection of the Egyptian fintech ecosystem with the FinTech Egypt's 2023 FinTech Landscape Report projecting an annual growth of 12,5% annual for 2024 and

2025. This sustained projected growth suggests an ecosystem that is maturing with growing acceptance and adoption of innovative financial solutions in the country and thus is conducive for investment and expansion.

South Africa, a tertiary-driven economy, developed into one of the most sophisticated financial and fintech ecosystems in Africa in the last five years. According to Research and Markets (2023), South Africa's fintech sector is internationally recognised as one of the top performing sectors in Africa due to the country's sophisticated financial services and banking sector. This is due to the South African government and financial service sector being proactive in formulating a financial and banking regulatory environment that fosters innovation while ensuring a level playing field. Regulatory bodies, such as the South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (FSCA), have undertaken a number of reforms in the last decade to allow for a more inclusive financial sector. The country also has a highly skilled financial, engineering and software development labour market that has helped the fintech sector in South Africa grow over the years.

South Africa has a relatively mature fintech market that accounts for 40% of all fintech revenue in Africa (Research and Markets, 2023). The largest and most mature fintech product sector in South Africa is payments, with 30% of companies operating in this space. Peach Payments is a good case study for 2023 in this subsector of fintech where they have been awarded for their payment service expansion in South Africa and Africa with a $31 million Series A investment. However, digital financing lending and insurance services have also been dominant sub-fintech sectors in South Africa this year with deals such as Lulalend ($35 million) and Naked Insurance ($17 million).

Although South Africa's fintech ecosystem was overtaken by the likes of Nigeria, Egypt and Kenya over the last four years, South Africa had a good year in 2023. South Africa was the most insurgent fintech ecosystem of 2023 with 25 deals and $367 million investment. The fintech sector in South Africa is expected to experience further growth into 2024 with the movement to go cashless by a number of corporate retailers and the rapid advancement of easy payment systems being integrated into all sectors of commerce.

Kenya, one of the continent's fastest-growing economies, was a trailblazer in mobile money payments for 2023. The country;s fintech sector has been on the rise over recent years, with the amount of funding raised in the country increasing further year-by-year. However, Kenya remains a market skewed towards the earlier stages of funding with only M-KOPA being the major large deal of the year at $250 million and the rest of the 22 out of 23 deals being shared between $60 million. These deals consisted of a range of digital financial services encompassing mobile payments, digital lending, asset and wealth management, InsureTech, and money remittance services. However, although the total investment funding outside of M-KOPA is small and there has been a drop in the amount of deals made over the year, the Kenyan fintech industry is still viewed as a mature tech sector in the country that will continue to grow.

This growth is attributed to the rapid adoption of mobile money, tech driven start-ups, innovators and modern infrastructure. According to the Kenyan Startup Ecosystem Report 2023, 93 fintech companies operate in Kenya, making the sector one of the dominant tech sectors in the country above agritech and health tech. Within the Kenyan fintech sector, the payments and remittances sub-sector was found to be the most developed, accounting for 25.8% (24 ventures) of all Kenyan fintech companies. The category is followed by lending and financing with 21 startups (22.6%), business administration with 17, and insurtech with 13. Of these startups, a majority of them reside in the country's capital city Nairobi due to its vibrant tech ecosystem, its digital and mobile network infrastructure and large consumer base.

Other emerging fintech countries in Africa include Morocco, Senegal, Ghana and Uganda where they each have several fintech companies in the top 20 of Africa in size and valuation. A total of 20 deals were made between these emerging fintech countries with a combined total of $68 million. These countries are leading the way in fintech due to several factors:

- Government support for the fintech sector and establishing inclusive financial policies;
- a growing middle class;
- a young and tech-savvy population; and
- increasing mobile and internet penetration rates all contributed to the growth of the fintech ecosystems in these countries.

3.2.3

## Startup closures

The year 2023 was not a good year for large scale fintech startups with a majority of the large African fintech startups like Flutterwave, Chipper Cash and Opay having to lay off staff across Africa to scale down costs with the lack of investments in the market. However, the biggest impact in the sector during 2023 was the closures of a number of fintech startups in their growth stages. Notably a lot of these startups were Nigerian startups and has caused the Nigerian government to be more active in the financial regulation of the sector and building its ecosystem in the country. Some of the fintech startups that have close operations are the following

- **Pivo** (Nigeria) a fintech startup providing banking services to small supply chain businesses closed down one year after securing a $2 million seed round;
- **LazerPay** (Nigeria), a web3 crypto payments company declared closure in the 1st quarter of 2023;
- **Bundle** (Nigeria), a crypto startup closed down the exchange operations of its business and pivoted to Cashlink;
- **Zazuu** (Nigeria) a remittance-based fintech failed to raise funds in 2023 and closed its operations at the end of the year;
- **VIBRA** (Nigeria), the Pan-African P2P cryptocurrency platform, shut down operations in Nigeria, Kenya and Ghana at the end of 2023;
- **PayDay** (Nigeria) closed its operations 6 months after raising $3 million due to bad corporate governance and misuse of finances; and
- **Dash** (Ghana) closed operations in October after raising US$86 million due to allegations of financial impropriety and false reporting.

Disturbed by the rate of closures amongst fintech startups in Africa especially in Nigeria and West Africa, there has been a push amongst venture capital investors for better due diligence measures and practices and for African fintech startups to demonstrate stronger viability and meet higher standards before securing investment. Many African venture capital investors have argued at summits such as AfricArena and its VC Unconference that many of the failed startups received funding without sufficient due diligence. In addition to matters of due diligence in the processes of fundraising and deal flow, other issues that have been highlight as causes for the closure of many fintech startups are the reduced amount of investment capital during the slow down, the intense competition within countries like Nigeria and Kenya, and regulatory hurdles within countries who are yet to align their financial regulator environment to fintech ecosystem. Going forward into 2024, there is a need for investors, DFIs, governments and startups founders to come together and establish inclusive platforms, channels and guidelines to assist fintech startups in trouble times.

3.2.4

# Predictions for the Fintech Sector in 2024

Although investment into the tech sector has slowed down in the last year, with the emergence of more mobile finance friendly regulations and the growth of consumers going cashless and bankless; the African fintech sector is poised for grow in 2024, driven by increasing smartphone ownership, declining internet costs, expanded network coverage, and a young, rapidly growing and urbanizing population. Countries like Nigeria, South Africa, Kenya, Egypt, and Ghana, will see continued growth in their fintech sectors, however, as African countries reframe their financial regulations to cater for the sector, one will see emerging fintech ecosystems in Francophone Africa such as Morocco, Sengela, Tunisia and Ivory Coast sealing more deals and investment. Technologies such as AI, blockchain and cryptocurrencies will gain traction within the fintech sector with more fintech startups using their technologies to build new financial services and products as well as grow new markets. In-country financial regulators will look at adapting their financial regulations to align with the opportunities of the new financial sector but also put in place policies and regulations that protect consumers as well as investors. On reflection of the above, these are the top five trends discussed in reports and panel discussions of AfricArena 2024:

1. Focus on Customers and Profitability
    a. With the slow down of investments and funds during 2023, African fintech startups will shift their focus towards growing and retaining new customers in order to pay off operations through profitability instead of investment. Sustainable growth of one's customers and revenue from them will be the objectives of 2024. In addition with the closure of many fintech startups due to due diligence and proper organisation structures, fintech startups will put more resources into their corporate governance structures especially for the potential unicorns of Flutterwave, Opay, M-KOPA and MTN-Halan.

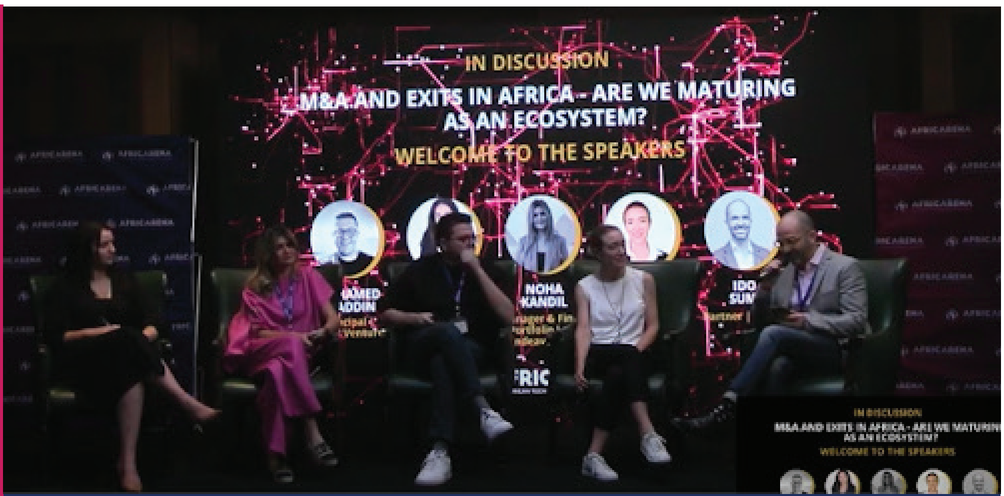
2. Mergers and acquisitions
    a. With no sight of the fundraising winter ending, 2024 will also bring more exploration of synergies and partnerships among African fintech startups and larger corporates who either have the same customer market or are looking to expand their financial product and service offerings. Thus, 2024 may be the year of local mergers and acquisitions between competing fintech startups or larger corporations such as banks wanting to expand their product and service offerings to a wider mar-

ket. African fintech startups are likely to join forces with either larger and well established fintech businesses or with banks for the benefit of establishing operational alliances that can cover larger sections of Africa's diverse markets. This consolidation of fintech startups with other tech sector businesses or banks can serve as a strategic tool to allow startups to overcome the current funding landscape while also enabling them to offer a more comprehensive suite of financial services.

3. Active participation of African governments and regulatory bodies in adjusting their financial regulations to align with the sector and regulate
    a. With the fintech sector experiencing both growth across the African continent especially with cross border transactions and payments, African government's and their financial regulatory bodies will pay more active roles in policy and regulation that will support the new financial sector but protecting consumers and investors

4. AI and machine learning
    a. The use of AI technologies by African fintech startups in their financial products and services will grow across the continent. Fintech startups have already been exploring and testing AI and machine learning technologies as means to guide consumers in their financial decisions and education through products like financial advisor chatbots. AI and machine learning will bring both positive impact to the sector in inclusivity and the need to regulate and provide security to protect consumers.

5. A surge in cross-border payments
    a. With the increased engagements between the African Union and its country members on the opening of trade among the borders of African countries and the growth of migrating labour to economic hubspots in Africa and Europe, one will see a surge of cross-border payments facilitated by payment and neobank fintech startups such as M-KOPA, Moove and TymeBank.



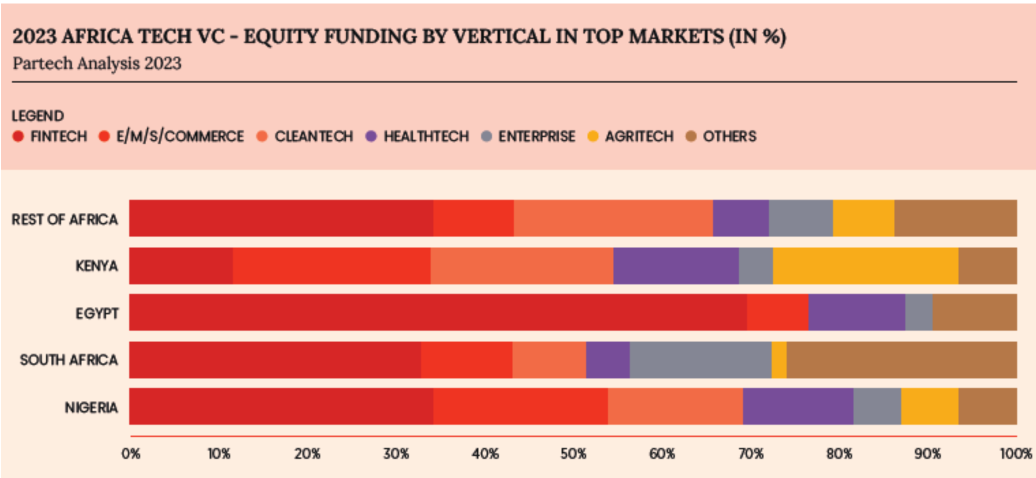

**Panel Discussion | M&A & Exits in Africa - Are We Maturing As An Ecosystem**

# 3.3 Climate Tech - (Clean-Tech, Agritech and Green Tech)

## 3.3.1

## Introduction

Climate tech has become a phrase for investors, technology stakeholders, start-ups and ecosystem stakeholders for technologies that are used to bring transitions of green economic development with the sectors of energy, agriculture, waste, construction, land use, logistics, transport, water, and biodiversity use. Due to the many sectors of focus within the frameworks of a green economy, the word climate-tech is used interchangeably with other green-tech and clean-tech which may have complicated classifications of specific technologies. Thus, in this report, one is going to refer to climate-tech as a broad tech sector that is used to consolidate a number of technologies that try and migrate climate change. These interchangeable tech sectors under the phrase, climate-tech include clean-tech, and agritech. Climate tech on technologies that aim to reduce or mitigate greenhouse gas emissions and climate change, such as carbon capture, carbon trade, waste management, reforestation, climate data analysis, and circular supply chains. While cleantech covers a broader range of technologies that aim to improve the environment by providing clean and green alternatives to water purification, energy production, and transportation. Agritech fits with these two sub sectors when the technologies used are for the purpose of driving sustainable farming practices and providing food security for all.

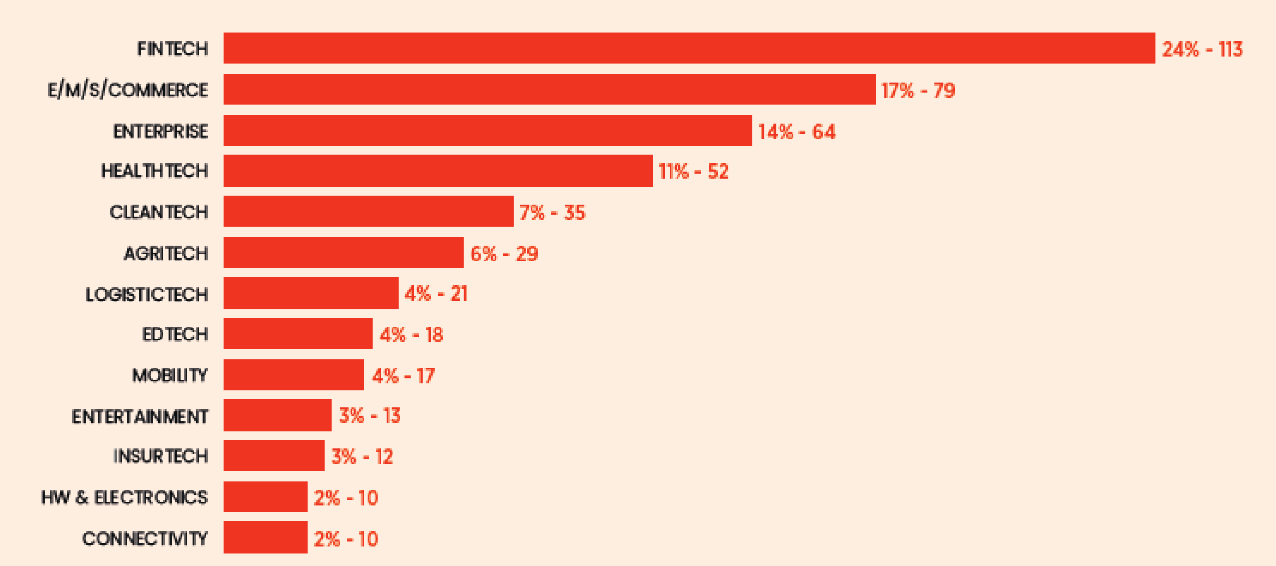



Source: Partech

Climate tech in Africa continued to grow in 2023 especially with Africa's first climate change summit hosted in Nairobi in September 2023. However, with the global downturn in investments, the tech sector comprising agritech, cleantech, sustainable materials, e-mobility and nature-based solutions, did see a fall in the total number of deals secured in 2023 compared to 2021 and 2022. Last year, funding into the sector grew to over $860 million, making it Africa's most funded after fintech. It has maintained the second spot so far this year, per AVCA report. Data from Africa: The Big Deal shows the sector accounted for over 32% of total VC funding as of Q3, behind fintech's 35%. The continued growth of the sector in Africa may be due to the number of new funds that emerged in 2023 and provided good foundations for African climate tech start-ups to grow. Some of these funds include the Catalyst Fund, Satgana, Equator, and EchoVC Partners

The dominant industry within the sector was renewable energy that was raised through deals consisting of Kenya's Sunking ($130 million), Wetility ($48 million), and DRC's Nuru raising $40 million. Following the renewable energy, tech businesses in the sustainable agricultural industry where Victory Farms' secured $35 million in investment which only highlights the potential of agritech to transform Africa's food systems, ensuring food security and empowering rural communities.

**2023 AFRICA TECH VC - TOP ACTIVE VERTICALS (EQUITY DEAL COUNT)**
Partech Analysis 2023




Source: Partech

3.3.2

# Investing in Africa's Green Economy - Climate Tech

Africa's climate tech sector raised $800 million according to the Briter Bridges African Investment report (2024) in which cleantech accounted for 28% of the total investment funding raised during 2023 across all the sectors. In the Partech report (2024), it is stated that $860 million in funding was raised, largely driven by clean energy technologies, thus making cleantech one of Africa's most funded sectors after fintech. However, it only claimed 13% of the total investment into Africa for 2023 compared to the 18% it claimed in 2021 (Briter Bridges, 2024). This is a 66% decrease in investment funding (Briter Bridges, 2024). In addition to the cleantech sector, the agritech sector stood out as the only sector immune to the downturn with the latter two experiencing a growth in deal counts. Agritech saw a growth in deal counts (29, +21% YoY) to reach $144M (+67% YoY). Ranked sixth, agritech presented the highest year-over-year growth of 67% and 174% respectively from 2022 to 2023.

With the downturn in available investment funds which led to a shortage of equity investment funds, a lot of African cleantech startups pivot to debt financing over 2023 and affirmed the movement amongst startups towards hybrid forms of funding that use both equity and debt investments to shore up funds to expand. Debt funding is largely captured by two sectors, Cleantech and fintech, with cleantech taking the lead and representing 50% of all debt funding, driven by two out of the three debt megadeals recorded this year (Partech, 2024).

| SECTORS | DEBT FUNDING ($M) | | DEBT DEAL COUNT | |
|---|---|---|---|---|
| CLEANTECH | 605 | 50.0% | 18 | 24.3% |
| FINTECH | 315 | 26.0% | 25 | 33.8% |
| E/M/S/COMMERCE | 123 | 10.1% | 4 | 5.4% |
| LOGISTICTECH | 72 | 5.9% | 6 | 8.1% |
| AGRITECH | 34 | 2.8% | 7 | 9.5% |
| ENTERPRISE | 14 | 1.2% | 3 | 4.1% |
| HEALTHTECH | 14 | 1.2% | 3 | 4.1% |
| MOBILITY | 13 | 1.1% | 3 | 4.1% |
| EDTECH | 12 | 1.0% | 2 | 2.7% |
| INSURTECH | 3 | 0.2% | 1 | 1.4% |
| HW & ELECTRONICS | 3 | 0.2% | 1 | 1.4% |
| CONNECTIVITY | 2 | 0.2% | 1 | 1.4% |
| | 1,210 | 100% | 74 | 100% |

Partech Africa Venture Capital Report, 2024

However, over the last three months of 2023, the African investment space saw a slew of new funds dedicated to investing into the climate tech sector, indicating a rising interest providing funding to invest in African climate tech startups. This may be due to the effects of the first Africa Climate Summit and the signing of the Nairobi Declaration in 2023. The Nairobi Declaration was the culmination of the Africa Climate Summit 2023, adopted by African states as the basis for Africa's unified voice towards the COP28 UN Climate Change Conference in Dubai. The declaration highlights climate commitments for the continent based on technology as a key enabler. These commitments include the use of technology to accomplish the following:

- Propel Africa's green economic growth and job creation;
- grow and expand just energy transitions and renewable energy generation for industrial activity, climate-aware and restorative agricultural practices, and essential protection and enhancement of nature and biodiversity;
- provide early warning systems and climate information services; and
- promote investments into Africa and build climate smart urban infrastructure.

The signing of the Nairobi Declaration has bolstered commitment to invest in the sector. One of the key drivers of climate-tech's growth over the last few years is the rise of dedicated climate migration investment funds from global and public entities (Briter Bridges, 2024). The rise of numerous cleantech and climate-tech focused funds, particularly aimed at investing in emerging markets, partly explains the current figures and indicates a trend that is expected to grow in the coming years. Furthermore, the sector's capacity to draw Development Finance Institutions (DFIs) focused on sustainability and climate highlights its continued relevance and potential for making a substantial impact.

In relation to the above paragraph, Novastar's People + Planet Fund would be a good case study of such climate and ESG based funds. Noavastar is currently raising over $200 million to invest in early stage African startups that provide agriculture and climate solutions on the continent. Recently, the Catalyst Fund was able to secure $30 million in venture funding to invest in climate based African startups. Another large climate and green fund is the AfricaGoGreen Fund (AAGF) that has $250 million which closed the second tranche of its fundraising campaign. The largest of the funds raised to invest in climate startups for 2023 was Leap Frog who raised $500 million to fuel its ambitious climate investing strategy in Africa and Asia. Other smaller funds that focus on investing into early stage climate startups in Africa are Satgana, Catalyst Fund, Equator, and EchoVC. They have all raised funds over the last 12 months to invest and support African startups in the sector.

The rise of so many new funds show that even amid the capital crunch, there will be some dedicated pools of funds for founders building startups that can lead energy-transition efforts and offer solutions to mitigate the effects of climate change. In addition, the high use of hybrid strategies of fundraising by cleantech and climate tech startups in Africa, shows that debt financing is now becoming a defining channel of investment for large and mature startups who are asset heavy. Debt finance in the climate tech and cleantech sector is predicted to grow further in 2024.


**Funding Green Economy Innovation Equity vs Debt, What Makes Sense?**

3.3.3

# TheAfrica Climate Tech Startups of 2023:


**African Cleantech startups of 2023**

With the raising of funds by venture capital firms and DFIs in 2022 and 2023 that focus on scaling clean energy technologies in Africa, there were a number notable investments raised by cleantech startups during 2023. In the following below are the top 10 cleantech investment deals of 2023:

1. M-KOPA Solar (Kenya) - $400 million
2. Husk Power (Nigeria) - $103 million
3. Wetility (South Africa) - $48 million
4. Ampersand (Kenya) - $19.5 million
5. Koa (Ghana) - US$15 million
6. Rensource Energy (Nigeria) - $15 million
7. Sunculture (Kenya) - $12 million
8. Okra (Nigeria- $12 million
9. Nithio (Nigeria) - $ 10 million
10. Easy Solar ( Sierra Leone) - $7 million

The top five cleantech startups to look out for in 2024 that are predicted to experience growth in the market and are busy raising Series A investments are the following:

1. Koolboks (Nigeria)
2. Sun-Fi (Nigeria)
3. Green Riders (South Africa)
4. ScootHero (South Africa)
5. BasiGo (Kenya) - $5 million

## Agritech Startups of 2023

Agriculture is the foundation and soul of Africa that feeds its population of a billion and the industry is one of the dominant financiers of each Africa's GDP. Thus, the agritech sector with Africa is one of the most popular sectors for venture capital and impact investors to invest in. It is its own tech sector that can be distinguished outside of the broad and the overlapping tech sector of climate-tech. However, due to a lot of agricultural tech businesses having ESG and sustainable farming focused objectives within their operations, agritech startups are often consolidated into the climate-tech sector. Most of the deals consist of early stage, Seed and Series A investments. This was evident in the highest deal in the sector being a Series A investment deal into Apollo Agriculture with Complete Farmer in Ghana following in second. The rest of the deals consist Seed investments

1. Victory Farms (Kenya) - $35 million
2. Apollo Agriculture (Kenya) - $10 million
3. Complete Farmer (Ghana) - $10 million
4. Goodnature Agro (Zambia) - $8.5 million
5. Farmworks (Kenya) - $4 million
6. Shamba Pride (Kenya) - $3.7 million
7. Emata (Uganda) - $2.4 million
8. Aquarech (Kenya) - $1.7 million
9. Sand to Green (Morocco) - $1 million
10. EzyAgric (Uganda) - undisclosed seed round

From this list of the top 10 performing agritech startups in terms of investment secured for 2023, it is notable that startups from East Africa dominate the sector and interest from investors. Kenyan agritech startups particularly had a good year in 2023, This may be to do with the vibrant farming and agriculture market of Kenya and other Eastern African countries that is receiving interest from impact funds like the One Acre Fund and the Acumen Fund who have regional offices in Kenya, Tanzania, Rwanda and Uganda.

The the agritech startups to look out for in 2024 that are predicted to experience growth in the market and are busy raising Seed investment are the following:

1. Khula (South Africa
2. Chanzi (Tanzania)
3. Vetsark (Nigeria)
4. Farm to Feed (Kenya)
5. Bioage (South Africa)


**Regenerative Agriculture | A Keynote By Benjamin Rombaut**

or climate tech startups that do not fall under cleantech or agritech, these startups are usually defined by their climate or carbon emissions migration technology based solutions. 2023 was an innovative year for the sector in Africa where Octavia Carbon announced that they will be capturing carbon from the air and resending it underground back into the geothermal gas streams in the Rift Valley to produce clean energy and migrate carbon emissions. This is a first for Africa which has a large carbon market in its natural forests, peatlands, geothermal gas and massive regions of wilderness. Like agritech, the investments into climate tech startups ranged between pre-seed to Series A. This may be because a lot of these climate and carbon emission migration technologies are new to the market and Africa and thus investors are wary of investing large ticket sizes into these startups. In the following below is the top 10 African climate-tech startups for 2023:

1. Koa (Ghana) - $15 million
2. Yellow (Malawi) - $14 million
3. Octavia Carbon (Kenya) - $6 million
4. Amini (Kenya) - $4 million
5. Kubiks (Ethiopia) - $3.4 million
6. Salient Predictions (Kenya) - $2.9 million
7. Wecyclers (Nigeria) - $2 million
8. InspiraFarms Cooling ( Kenya) - $1 million
9. Kofa (Ghana) - Undisclosed
10. Mazi Mobility (Kenya) - Undisclosed

From the list above, Kenya leads as the top climate-tech ecosystem and market to establish a climate-tech business and raise investments. This supports the investment stats on Africa's cleantech and climate-tech sectors where Kenya is the dominant ecosystem to invest into with the most deals.

The up and coming climate tech startups to watch out for in 2024 are the following

1. Kumulus (Tunisia)
2. Melanin Kapital (Kenya)
3. Plentify (South Africa)
4. SeaH4 (South Africa)
5. Inno-Neat (Kenya)

3.3.4

# Africa's Carbon Market:

During 2023, a number of announcements were made by oil generating countries such as theUnited Arab Emirates (UAE) allocating $1.5 billion for carbon trade investment into Zimbabwe's wild regions to fund forest rehabilitation and conservation projects. This was the biggest carbon investment into a single country out of a broader commitment of $4.5 billion in investments across multiple African countries including Kenya, Liberia, Tanzania, and Zambia. It could make the UAE the single largest investor in the African carbon market. These investments caused quite the  buzz and debate on the potential of Africa's Carbon Market and it being a resource to further grow the climate tech and investment sector in Africa.

What is a carbon market? A carbon market is a system designed to reduce greenhouse gas emissions that allows entities, such as countries or companies, to trade their carbon emissions for carbon offsets that are financed by carbon credits. Carbon credits are permits that allow the holder to emit a certain amount of greenhouse gas, such as carbon dioxide. Carbon offsets are projects that reduce or remove greenhouse gas emissions from the atmosphere, such as planting trees or capturing carbon. By trading carbon credits or offsets, entities can either comply with emission limits or voluntarily reduce their carbon footprint.

During AfricArena's Nairobi Summit and Climate Tech Festival in September, a panel of experts discussed Africa's vast potential for carbon credit inflows that could bring in an estimated $500 billion to $1.3 trillion in capital inflows for green development in Africa. In this discussion it was acknowledged that the African continent has unique geological features that offer excellent storage locations for CO2, making carbon capture and storage solutions effective and scalable. However, they did highlight challenges like inaccessibility to small and medium-sized projects, high costs, opacity, and over-intermediation hinder growth. The panelists suggest redesigning carbon markets, using digital platforms, and creating a carbon credit showcase to address these issues and ensure a larger share of revenue returns to projects and communities. Companies and corporations, particularly those setting net zero targets with high carbon emission industries, can play crucial roles in carbon markets by promoting transparency, authenticity, and innovation.

In the link below is the video of this panel discussion on Africa's carbon market potential being the new climate tech investment frontier.


**AfricArena: Panel Discussion | The African Carbon Frontier What's Next**

Due to the potential size and impact of Africa's carbon market, a number of African countries have recently drafted and signed carbon and climate change bills into action to provide regulation within the new market. For example, Kenya recently enacted the Climate Change (Amendment) Act, 2023, which amends the Climate Change Act, 2016, to provide for the regulation of carbon markets. However, the bill has been criticized for not considering the large upfront costs involved with some projects or the structuring options that apply to different types of carbon projects.

In South Africa, the government has enacted a range of legislative measures to measure and monitor carbon or greenhouse gas (GHG) emissions, including the introduction in 2019 of a Carbon Tax Act as a fiscal measure to reduce GHG emissions in South Africa through the levying of a carbon tax on such emissions. However, the act has been ineffective due to delays in implementation of many of its stages of taxation like the taxation of its national state oil producer, Sasol, landfills, farms and large manufacturers. On the positive side, the act and body of legislation has opened up channels of innovation to bring in investment. Recently, in 2023, the Johannesburg Stock Exchange (JSE) launched its carbon market in partnership with Xpansiv, an infrastructure provider for global environmental markets operating under a separate entity, JSE Ventures. The local stock exchange intends to allow local companies and corporations who are large carbon emission producers to buy or sell carbon credits and energy certificates held in either local or global registries.

Other countries in Africa that are following Kenya and South Africa in pursuit of opening their carbon market and potential for large investments are Tanzania and Zambia. They are both proposed recipients of Blue Carbon major reforestation carbon sink projects and investments. Tanzania has committed to reducing GHG emissions by recently adopting the Environmental Management (Control and Management of Carbon Trading Mechanism) Regulations to establish a framework for the control and management of carbon trading, including a national carbon registry. While Zambia has relied on its Forest (Carbon Stock Management) Regulations SI No. 66 of 2021 legislation to encourage community forest management groups to mobilise and participate in carbon trading.

The adoption of carbon market regulation by African countries highlights the importance of the new market as a channel for climate solution investments into the countries and establishment of new climate smart technologies to migrate emissions. Going into 2024, one will potentially see more African countries draft up new bills and acts to also open their countries up for the trade of their carbon sinks in exchange for carbon credit. There will also be a focus on developing more innovative carbon capture technologies beyond nature based solutions such as Octavia Carbon. 2024 could potentially be the year in which the carbon capture sub-sector in Africa expands and brings in a larger pool of investment for carbon capture and migration based African startups.

3.3.5

# Predictions in the Climate-tech sector for 2024

Although 2023 was a slow year of growth for African climate-tech startups and investment deals compared to the last three years, 2024 is predicted to pick up the pace in deals and investments made with the number of new climate solutions and agricultural funds that were launched after the African Climate Week Summit and COP28. With more than $800 million in equity, debt and grant investments during the year, the sector is a maturing market that will grow further as more consumers consume clean energy and public and private stakeholders from Africa invest more in a more sustainable, greener and cleaner continent.

In relation to the above, the following trends are predicted to come into focus during 2024:

1. Large growth round vs climate impact grants.

The growth of the climate tech market in Africa into 2024 will consist of larger growth rounds than a lot of early stage investments. However, with the emergence of a number of climate impact funds in the last six months, early stage investments will consist of grants while one is a funding winter.

2. Debt financing will grow

The use of debt financing by cleantech and climate tech will grow during 2024 as the fundraising winter lingers into the new year and hybrid fundraising strategies of raising funds become popular among African startups. For 2024, mature cleantech startups in solar energy, carbon capture and other alternatives of clean energy will use debt financing to expand their asset heavy operations and expand into new countries.

3. Emergence of climate focused investment funds

With more and more developed countries and global corporation feeling the pressure of the public in the need for climate change migration solutions and taking action on decision made at the COP summits, the establishment of new climate impact focused investment and grant funds will increase into 2024 which will indirectly keep the climate tech sector resilient throughout 2024.

4. Emergence of carbon capture technologies

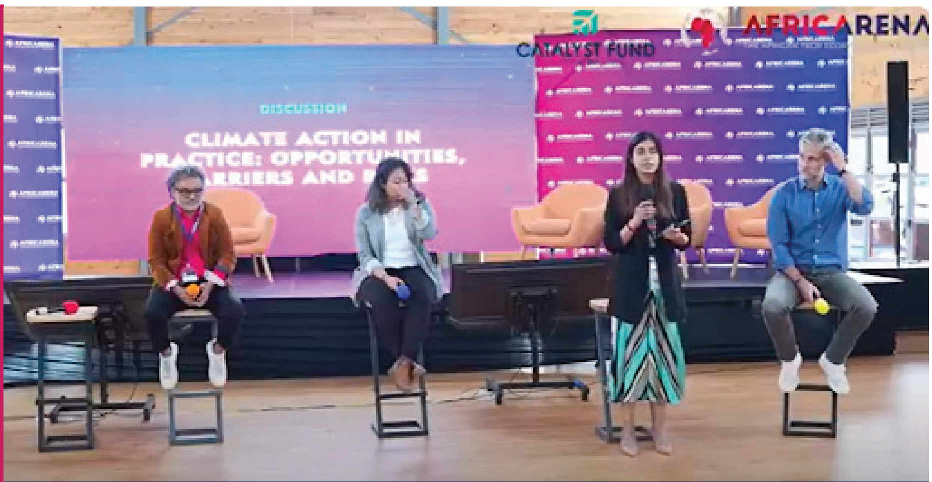
Africa has a potentially enormous and untapped carbon market due to its size, biodiversity and range of ecosystems. If used well, funds could help countries to adapt to climate change and protect their biodiversity. With the launch of Africa's first carbon capture startup in Kenya and the announcement of multi billion dollar reforestation and conservation carbon sequestration projects in five African countries, the African carbon market will grow further in 2024 in deals and project implementation that will hopefully lead to new emerging carbon capture technologies and businesses.

5. AI integration in climate-tech

AI and machine learning technology has emerged as a defining moment of innovation in the last two years where you can now find the technology integrated into most tech operations and across all tech sectors. Thus, AI and machine learning technologies are going to have an impact in the future of the climate tech sector. AI and machine learning have already had an effect on agritech startups who have used machine learning to crunch data faster and provide farmers user friendly information in real time with just the snap of a camera on a mobile phone or from satellites. The use of AI amongst climate tech startups will increase in 2024 where the technology will help them curate information, enhance prediction, and guide optimization in various domains, such as mitigating emissions, supporting adaptation, and improving climate modeling and education. AI can also enable innovative solutions, such as early warning systems, precision agriculture, renewable energy integration, and carbon capture and storage.

6. Solar to dominant the cleantech market

Solar will continue to dominate the cleantech sector throughout Africa with many African solar startups either expanding their products and services into other African countries or building new solar technologies that make solar power even cheaper.




Fishbowl Session | Climate in Action: Opportunities, Barriers and Risks

# 3.4 The Healthtech Sector of Africa

## 3.4.1

## Introduction

With its diverse population, unique healthcare challenges and large untapped consumer base, Africa presents promising healthtech investment opportunities for African entrepreneurs and investors. These opportunities have created interest in the tech sector in the last half decade where healthtech has grown steadily and has become a sought after sector for investors looking for scale solutions and startups. Africa's healthtech sector is poised for further growth and transformation in the coming years, as the demand for quality, accessible, and affordable healthcare continues to rise. The key trends and themes that shaped the healthtech sector in 2023 were the rises in product and services offerings in telehealth, e-pharmacy, and diagnostics solutions. The majority of the startups that secured deals and investment during 2023 were focused on addressing the treatment and supply chain gaps in the region, leveraging telehealth, home health, and supply chain management solutions. Other notable areas of focus were hardware systems, diagnostics testing, and disease prevention (HolonIQ, 2024).

The top three countries that dominate the sector in investment and deals made during 2023 were Kenya, Egypt, Nigeria and South Africa, accounting for 75% of the market share (HolonIQ, 2024). Egyptian and Kenyan startups had a really good year in securing deals while investors saw Nigerian healthtech startups as a maturing market with two Series A investment rounds. South Africa and some Francophone African countries also saw a surge in Seed deals being made in 2023.

However, the sector still has the challenges and risks that it faces. In 2023, challenges that the healthtech sector faced in Africa were the lack of investment and funds for startups to continue in operations and scalability across regions. This led to staff layoffs and closures at a number of healthtech startups. The sector also faces a lack of regulatory frameworks, the uneven distribution of resources and infrastructure, the ethical and social implications of healthtech, and the need for more talent and capital.

In the following subsection, one will explore the investment and deal trends of 2023, the top 10 and emerging healthtech startups and predictions for 2024.

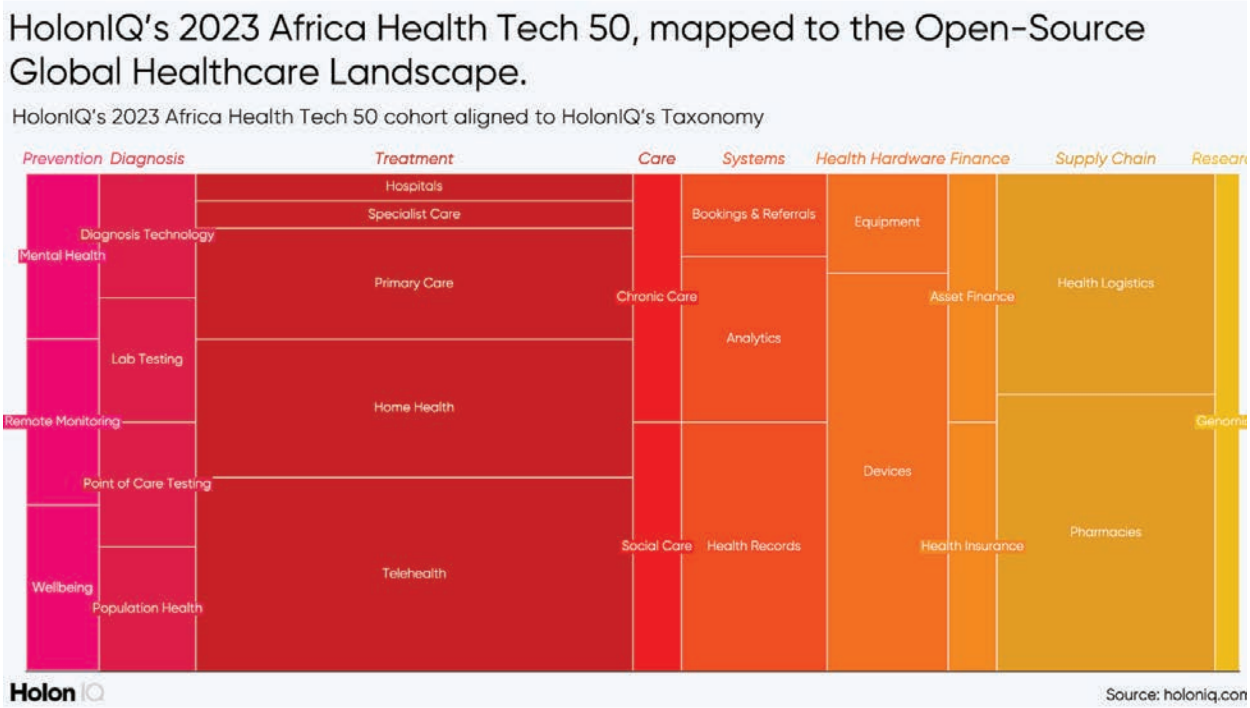
3.4.2

## Investing in Africa's health - Healthtech

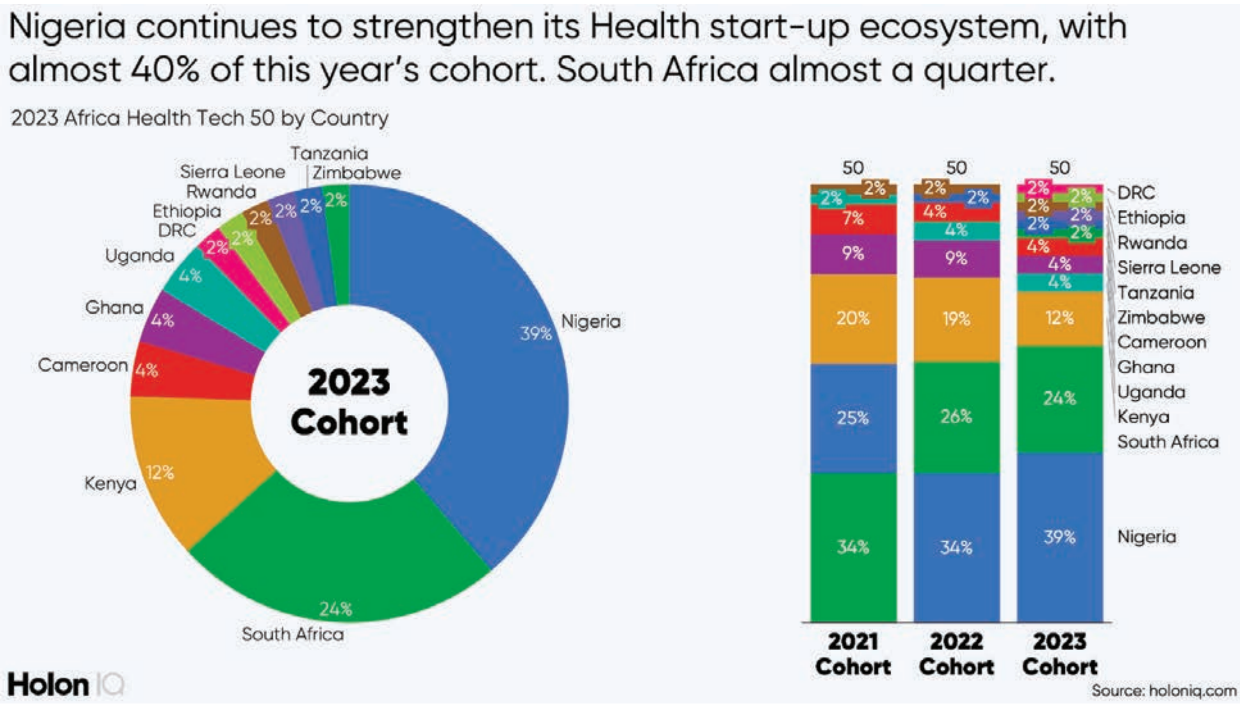
The healthtech sector in Africa ranked fourth in the amount of investment funds and deals raised over 2023. Healthtech in Africa secured $212 million in 2023 (+17% YoY), amounting to 9% of the total equity funds raised during 2023 (Partech, 2024). This is a considerable increase from the 4% share it held in the previous year (Partech, 2024). It has seen its share of deal numbers grow from 5% in 2019 to 11% in 2023 (Partech, 2024) since the Covid-19 pandemic. Thus, the sector was one of the sectors that performed in 2023 during a fundraising winter and a slow down in investments globally and in Africa.

According to HolonIQ 2023 Africa Healthtech Top 50 report, the healthtech startups that were invested in the most were startups that provide treatment services stayed the dominant health technology service of the year, however, it did drop 6% compared to 2022 and 2023. Treatment services are fuelled by telehealth and home health that have become accessible recently and popular with consumers. Africa's supply chain remains the second most dominant sub-sector holding 18% of the region's startups (HolonIQ, 2024). Other notable sub-sectors are hardware and systems whose share in the cohort expanded compared to 2022.

Nigeria, South Africa and Kenya account for three-quarters of Africa's startup market. Nigeria remains the HolonIQ Africa Health Tech 50's leading player taking ownership of 39% and undergoing a 4% growth within the region's startups. South Africa and Kenya still have significant domination across their regions of Africa. HolonIQ however does not feature any North African deals in its analysis due to associating North Africa as part of the MENA region consisting of the Middle East and North Africa.




Source: HolonIQ 2023 Africa Healthtech Top 50 report




Source: HolonIQ 2023 Africa Healthtech Top 50 report

3.4.3

# Healthtech startups of 2023

With investments and deals up 5% since 2022, it was a good year for healthtech startups in Africa even in dry winter with a slow down of investments across Africa. The top healthtech startups of 2023 in Africa consisted of tele-health, home health, supply chain management solutions, hardware systems, diagnostics testing, and disease prevention business models. In the following below is the top 10 healthtech startups for 2023:

1. Helium Health (Nigeria) - $30 million
2. MYDAWA (Kenya) - $20 million
3. Remedial Health (Nigeria) - $12 million
4. Yodawy (Egypt) - $10 million
5. Chefaa (Egypt) - $5,25 million
6. Maisha Meds (Kenya) - $5 million
7. Susu (Ivory Coast) - $4,48 million
8. Al Mouneer (Egypt) - $3,6 million
9. Lapaire (Kenya) - $3 million
10. Waspito (Cameroon) - $2,5 million

From the above top 10 healthtech deals in Africa during 2023, it is notable that Egyptian and Kenyan healthtech startups were the biggest beneficiaries in the 5% increase in deals made. However, it was Nigerian healthtech startups that secured the larger investments consisting of two Series A investment deals. Other countries that are also beginning to emerge into the healthtech sector in Africa are countries from Francophone Africa such as Cameroon and Ivory Coast.

In addition to the above, there were a number of Seed rounds that were secured by South African startups during 2023. Thus, going into 2024, the healthtech ecosystems to watch will be Egypt, Francophone Africa and South Africa for this year. The up and coming healthtech startups to watch out for in 2024 are the following

1. Pharmacy Mart (Egypt)
2. Kena Health (South Africa)
3. VitruvianMD (South Africa)
4. Quro Medical (South Africa)
5. SehaTech (Egypt)


How I Scaled My Business - Founder's Success Story | A Keynote By Ahmed Kadous (Pharmacy Marts)

3.4.4

## Layoffs and closures in the healthtech sector

Although the healthtech sector in Africa experienced one of the only increases in deals and investments made, it did not escape the global trend of staff layoffs and the closure of some growth startups similar to what happened in the fintech sector. During 2023, one of Africa's fastest growing startups, mPharma from Ghana, had to lay off 150 employees due to tightening macroeconomic conditions. In addition, mPharma, 54gene had to go through a period of mass layoffs at the company at the beginning of 2023 before it eventually announced closure at the end of the year. Other notable layoffs of staff occurred at Medsaf and Copia Global. Thes closures and layoff reflect broader challenges and restructuring efforts within the African tech industry during 2023 and that even some of more resilient sectors such as healthtech could not escape these trends.

3.4.5

## Predictions in the Healthtech sector for 2024

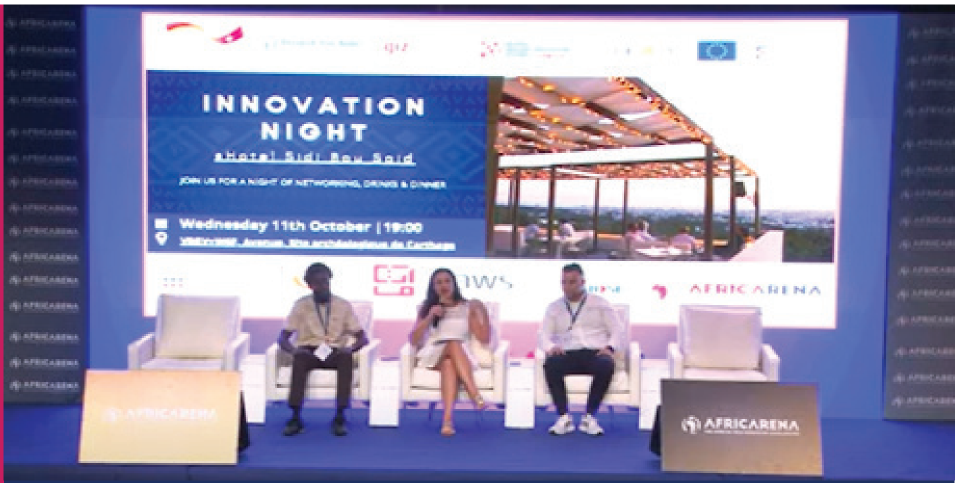
From the above analysis and the reports of Partech, the Big Deal and Briter Briters, the Healthtech sector was resilient during 2023 and even experienced an increase in deals and investment compared to years before. Thus the sector provides investment opportunities for 2024 with increased adoption of mobile health technology and the growing demand for affordable and accessible healthcare services among the emerging economies of Africa. We saw from investments and deals that there is growth in product offerings and services associated with mHealth solutions, AI and data analytics, medical devices, and digital health platforms. As we venture in 2024, the potential trends to look out for are the following:

- Increased Adoption of Mobile Health (mHealth) Solutions:

With over 1 billion mobile users in Africa, mHealth solutions are gaining traction amongst African consumers and has given rise to a number of innovation mHealth startups that are providing healthcare services to underserved populations. The rise of mHealth startups in Africa will continue especially in Francophone Africa and East Africa.

- Rise of Artificial Intelligence (AI) and machine learning adoption in healthcare:

AI and machine learning technologies have already made their way in the healthtech sector with many healthtech startups adopting the technologies into their operations. This adoption of AI and machine learning will continue especially in the telehealth, healthcare management, and diagnostic product services  are being leveraged to optimize healthcare delivery in Africa.




**Panel Discussion | CEO stage: Scaling Products With The Use Of AI**

- Telemedicine and Telehealth:

Telemedicine and telehealth solutions have gained momentum amongst African consumers, especially in underserved areas. This momentum will continue into 2024 where there will be growth in startups that provide consultations, diagnoses, and treatment plans to consumers and further investment into these startups.

- Healthcare Supply Chain Management:

Healthcare supply chain management was another popular service amongst healthtech startups that received investment during 2023. With the rise of e-mobility within African countries that make supply chains more accessible and cleaner in transport, healthcare supply chains management will benefit. Watch out for healthtech startups that utilize the e-mobility and drone sectors to reach and expand their consumer markets.

- Emerging Francophone healthtech ecosystems

From the analysis of investment deals in 2023 and the emergence of newly established healthtech startups in Francophone Africa, the sector will continue to expand in the region as Francophone countries develop their health services and infrastructure. South Africa is also poised to further its growth in seed investment rounds in 2024.

# 3.5 Conclusion

Looking ahead to 2024, several trends are expected to shape the African tech ecosystem. The adoption of artificial intelligence is anticipated to grow significantly within the African tech sectors of fintech, climate tech, healthtech, agritech, and edutech. Startups within the cleantech sector, especially those offering renewable energy, are expected to attract more debt funding in 2024 with mature fintech startups doing the same. In Q1 2024, startups within the fintech, healthtech and enterprise sectors will likely continue cost-cutting measures and refocus on unit economics in an uncertain funding environment. This could be anything from localizing costs and scaling back operations, raising funds in local currency, revising medium to long-term goals by prioritizing survival, laying off staff and reducing exposure to foreign exchange markets and raising debt finance instead of equity. Resilience will be the determining factor in terms of the tech trends that happen during 2024.

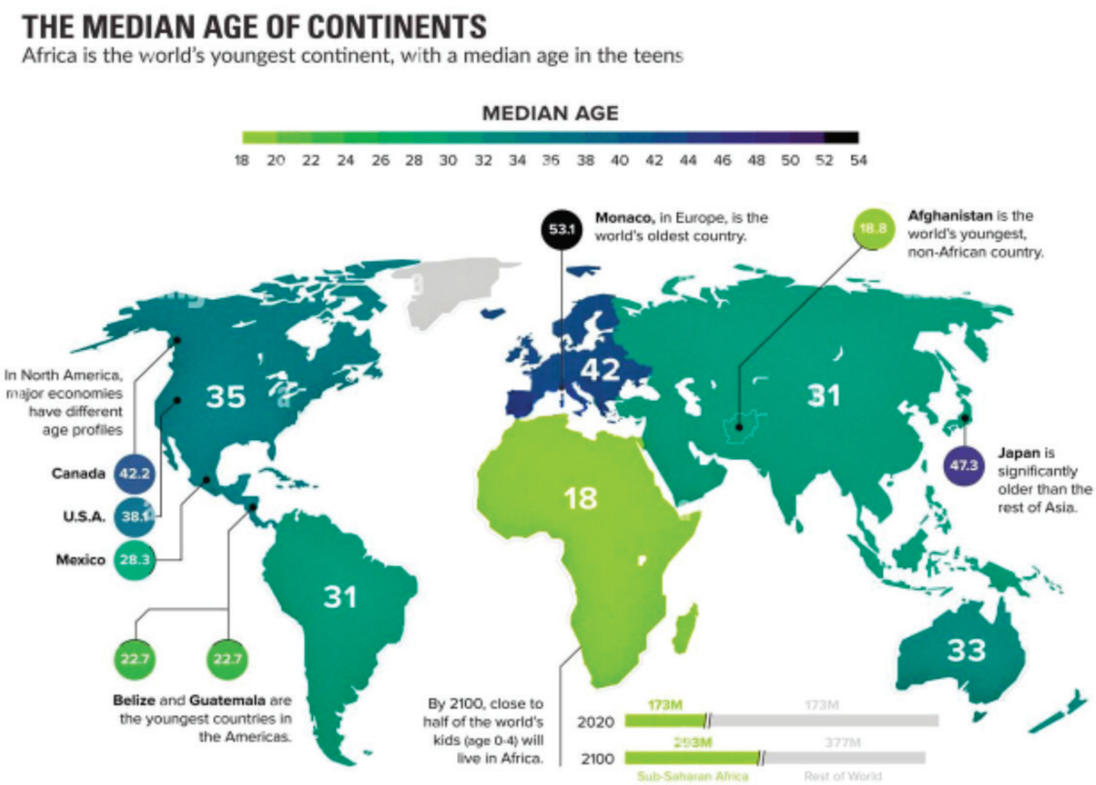
SECTION 4

# The Futute of Women in Tech

4.1

## Africa is Transforming the World Through its Demographics and Tech Talent

According to a United Nations' article titled Y***oung People's Potential, the Key to Africa's Sustainable Development***, demographically, Africa is the world's youngest continent as 70% of its sub-Saharan population is under the age of 30. Statistically speaking, according to the World Economic Forum, this means that by 2030, Africa's young demographic is expected to account for 42% of global youth. That's almost half the world's population. This is important for a world with a largely ageing demographic as data sets show that by 2050, Africa will have the world's largest and youngest population. Africa is the future, home to tomorrow's workforce, and in a world experiencing numerous challenges, the world is increasingly looking to Africa for innovative tech solutions that have the capabilities to radically solve global challenges.



***The digital economy we are currently navigating signifies the move from the third industrial revolution to the fourth industrial revolution that is bordering on the brink of the fifth industrial revolution.***

In a rapidly transforming world, people are being upskilled to join the global digital economy which, in 2021, according to a World Economic Forum article, ***Digital Trust: How to unleash the trillion-dollar opportunity for our global economy*** was valued at $14.5 trillion in 2022 and by 2025 it will be worth $20.8 trillion. In the article, the World Bank indicates that in 2022, the digital economy accounted for 15% of global GDP. Building on this, the ***Digital Cooperation Organisation*** said in 2023 that it expects that the global digital economy will contribute to 30% of global GDP and create 30 million jobs by 2030.

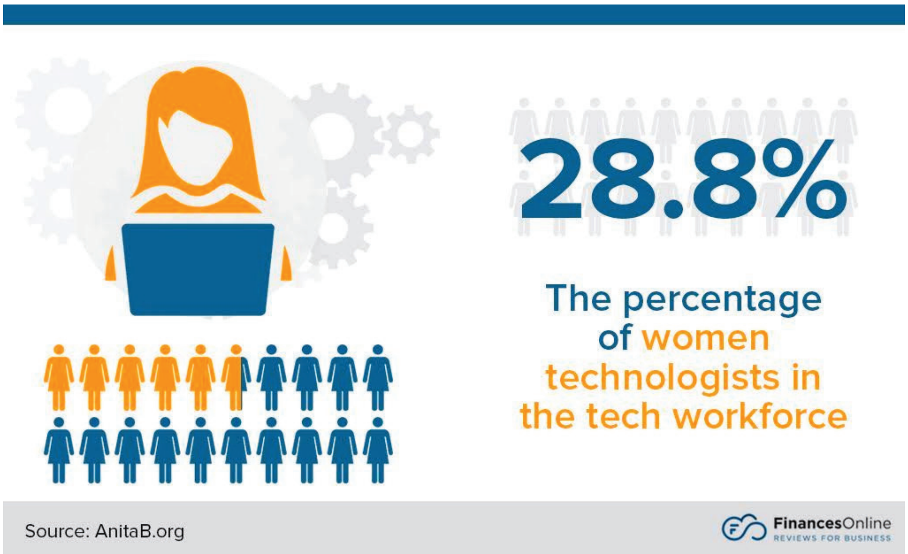

This is a clear indicator that Africa, as it continues to progress with and implement its continent-wide digital transformation strategy that includes equipping its youth with the skills required for a revolutionary digital economy, has a huge opportunity to shape and redefine global affairs as we forge ahead into the knowledge industry.

The digital economy we are currently navigating signifies the move from the third industrial revolution to the fourth industrial revolution that is bordering on the brink of the fifth industrial revolution. It goes without saying, Africa's fast growing youth demographics speaks to Africa's dynamic potential to leapfrog the continent's economic growth into the future, propelling the continent forward onto the global stage as a strong, resilient, influential player within the global economy.

Fertile ground for innovation, the continent's fast-growing tech ecosystem which weaves through its 54 countries, is alive and well in countless ways, proving to be a formidable force within the global technology ecosystem. Africa's immense pool of tech talent and innovation is attracting great interest from governments, family offices, investors, venture capital funds, corporate venture capital funds, startups and ecosystem support organisations across the board as the world increasingly looks to Africa for innovative solutions to pressing global challenges.

# 4.2 Women Hold the Keys to Africa's Economic Growth

However, it is important for us to note that Africa's fast-growing youthful demographics is not the continent's only key to economic growth and future prosperity. There are other keys. One of these integral keys is women who are participating in Africa's tech ecosystem, particularly in the STEM (Science, Technology, Engineering and Mathematics) disciplines. We still have a long road to walk together before the gender gap fully closes to give women a fighting chance within the global marketplace. An ***MIT article*** stated that in 2023, the gender gap is tangibly felt within the STEM fields, which is experiencing a shortage of skilled workers as in this day and age, women make up 28% of the STEM workforce.




Women are increasingly becoming an invaluable asset to the expansion and growth of Africa's tech ecosystem, and fittingly so as Africa is the only continent in the world where the number of female entrepreneurs outnumber male entrepreneurs. These statistics show that women are the backbone of Africa's economy, yet access to funding for women-led founders and entrepreneurs in Africa remain dismal compared to funding men receive.

This is not only an African problem, it is a global epidemic within the investment landscape. Investors across the board are taking notes on how to address this gender imbalance in funding and ensure underrepresented women receive the funding needed to grow and scale their startups, hence the spotlight on gender lens investors.

Addressing this critical issue of underrepresentation when it comes to women accessing financing is important for according to a 2019 McKinsey Global Institute Report, ***The Power of Parity: Advancing Women's Equality in Africa,*** "women account for more than 50 percent of Africa's combined population."

The ***Global Entrepreneurship Monitor 2016/17 Women's Report*** found that in Sub-Saharan Africa, 29.5% of the female adult population were entrepreneurs, which means one in four women starts or manages a business. It is women who are driving Africa's economic growth engines forward as women hold the key to unlocking Africa's economic growth. This is relevant as on a global scale, when we look at the global macroeconomy, currently, women account for almost half of the global population and women contribute 37% of global GDP.

To highlight why the female economy is important for investors funding the female economy, 40% of the world's workforce is women, so the future is female. And it's not just that the future is female. Women are the new face of wealth as currently, women control 40% of global wealth and a ***2020 McKinsey study*** indicates that by 2030, women will control $30 trillion of financial assets, thus becoming key financial decision makers. Furthermore, women control 85% of the world's global consumer market, translating into an annual $31 trillion market.

Pretty powerful numbers to read. Then why is it that, despite statistics showing that female entrepreneurs outperform male entrepreneurs, women-led startups and women founders are receiving such a meagre slice of the funding pie? The lack of gender diversity, female mentors and role models and the unconscious gender bias problem are but just a few factors contributing to this gender imbalance across the venture capital and investment ecosystem, both in Africa and globally.


**Scaling A More Resilient Women In Tech Pipeline In Africa Panel**

# 4.3 Challenging Gender Bias and Closing the Gender Gap

Logic dictates that according to these projected statistics, women should naturally receive more funding than men. It is at this point the conversation takes an interesting turn, signalling a departure in some cases, from conventional funding models toward women-centric models. Various data sets show that the African and global investment ecosystem has its work cut out for 2024 onwards as investors align with one another to address unconscious bias within the sector and work at closing the gender investing gap, supporting female limited partners and general partners and creating safe, open spaces for women to speak about the challenges they face and how these challenges can be resolved.

The same above mentioned ***report*** indicated that if Africa embraces gender diversity and step up to the plate to close the gender gap, "Africa could add $316 billion or 10% to GDP in the period to 2025 if each country makes advances in women's equality to match the country in the region that has achieved the most progress towards parity." This means just by fostering gender diversity within the continent and giving women opportunities to participate in the economy, Africa would be able to triple its contribution to gross global GDP which currently stands at 3%. These statistics were forecast five years ago. Five years on, women are still underrepresented within the venture capital landscape, with women receiving a tiny slice of venture capital funding, despite ample data showing women are economic growth drivers.

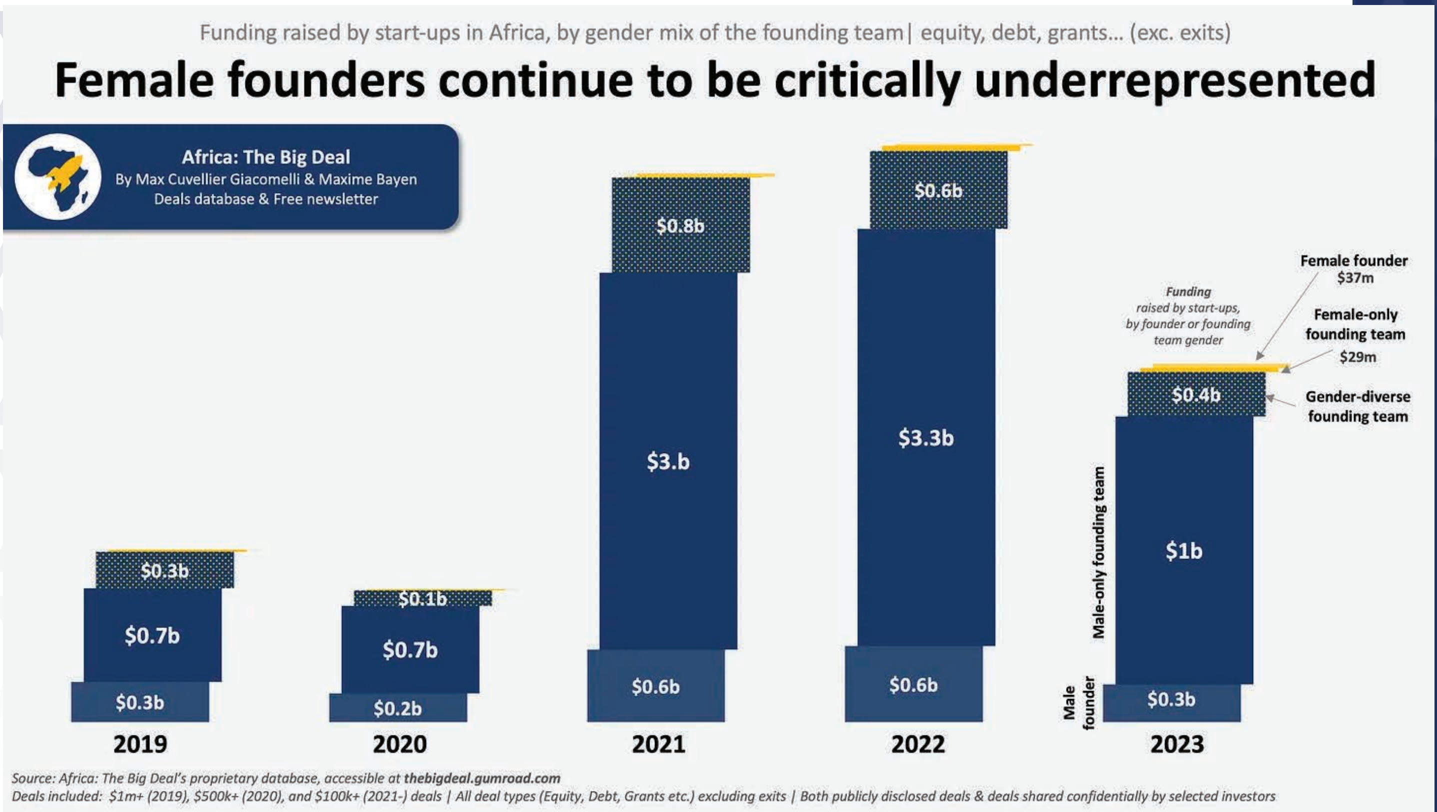
# 4.4 Female Founders Continue To Be Critically Underrepresented

Concerns were raised in 2022, due to data that showed investment in female-led startups stood at 3% and at 17% for startups with females being part of the founding team. The topic of women being massively underrepresented continued to be an overarching theme throughout 2023, and we expect deeper dialogue on this topic to continue into 2024.

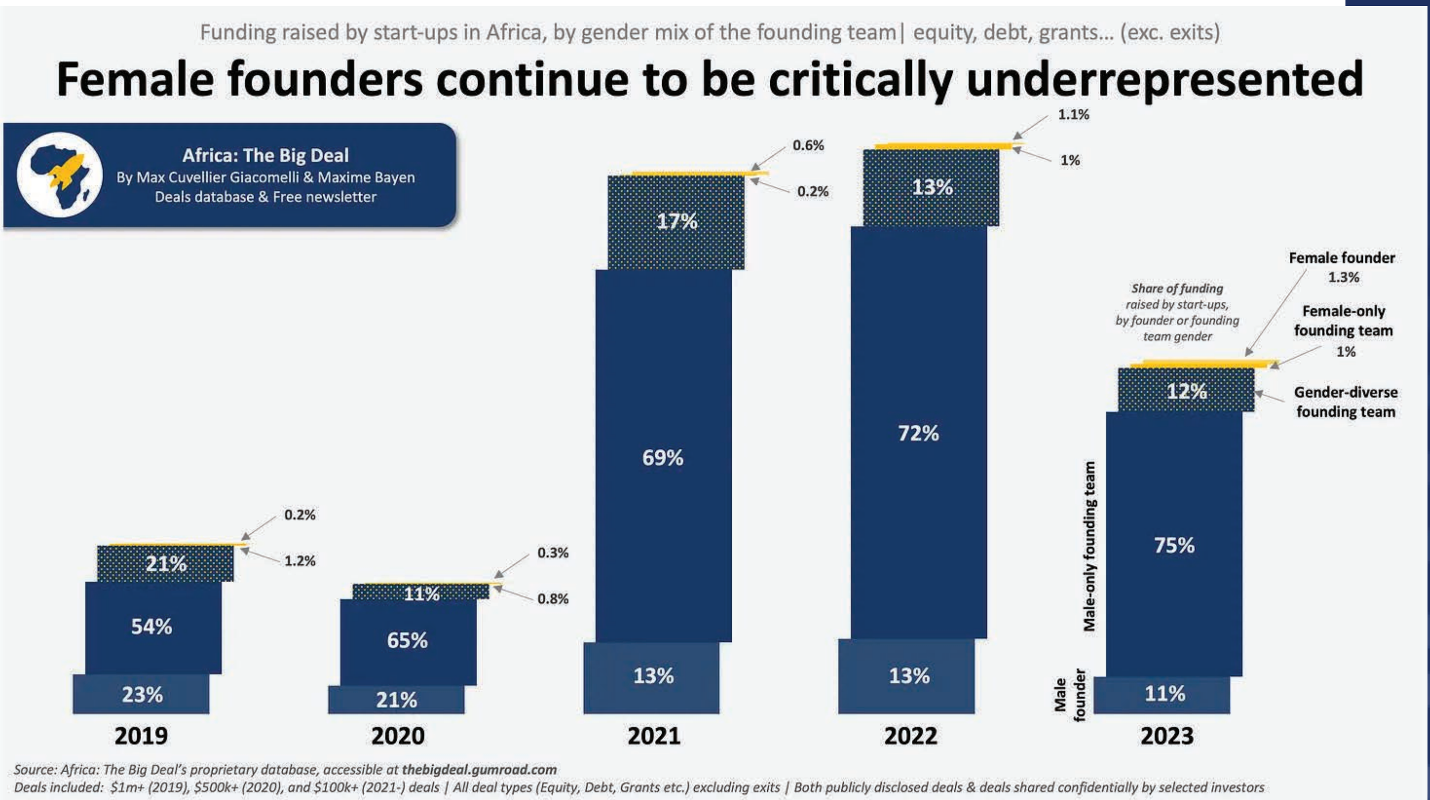
Conversations about the trillion-dollar female economy were emphasised throughout 2023, during the Women in Tech panels at the AfricArena Summits and throughout the African tech ecosystem particularly as the economy slowed down. The funding winter sharply crystallised and highlighted the unconscious gender bias currently prevalent in venture-capital decision making, not just in Africa, but on a global scale.

During its analysis of the top 2023 start-up funding trends on the African continent, the ***Africa: The Big Deal***, a database that tracks startups on a monthly basis highlighted how female founders continue to be critically underrepresented and underfunded in Africa's funding landscape. The data indicate It is a missed opportunity for investors because studies have proven that diverse funding teams get better returns compared to male-only founding teams.

The analysis found that the percentage of funding going toward women shrunk between 2020 and 2023, with 80% of funding in 2023 going to solo male founders or male-only founding teams, and barely 2% of funding went to solo female founders and female only founding teams. The data shows gender diverse founding teams do much better than solo female and female-only founding teams as they claimed 12% of all funding in 2023.




*Source: Big Deal 2023*

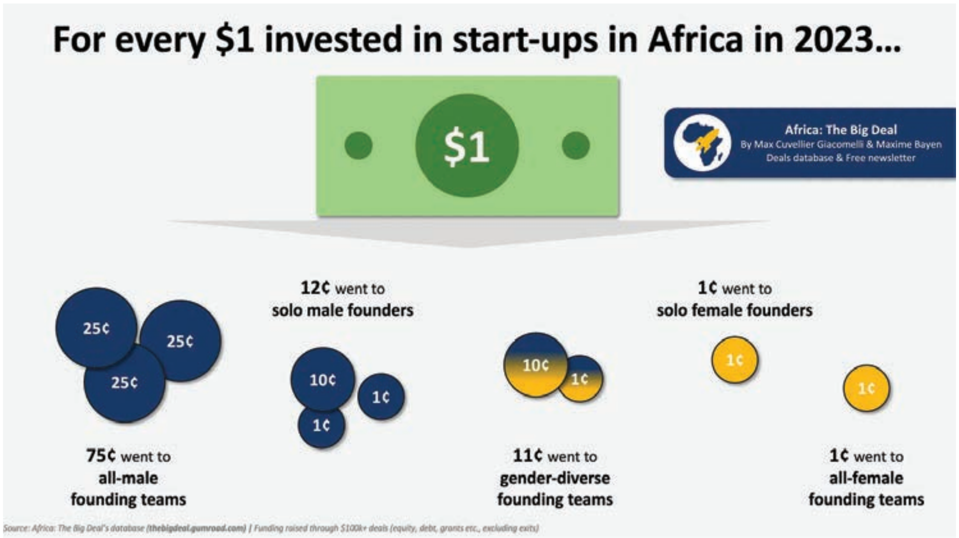



*Source: Big Deal 2023*

# 4.5 Breaking Down Investments for Women in Tech Founders in Africa

The ***Briter Bridges Africa 2023 Investment Report*** acknowledges that the underrepresentation of women in funding needs to be addressed as not enough funding is being directed toward female-led startups and female entrepreneurs. The report cited that "a trend that has struggled to see significant change is investment into female-led companies. Despite marginal gains, funding into all female-founded companies remains a meagre fraction of that going to male-founded companies. While deals into all female founded companies are on the rise, the total dollar value raised by these companies is not showing radical increases."

This is backed up by Africa: The Big Deal's data as their analysis looked closely at the data and found that for every $1 invested in startups in Africa during 2023, $0.75 went to all male founding teams, $0.12c went to solo male founders, $0.11 went to gender diverse founding teams and $0.01 went to solo female founders and all female founding teams. Clearly, something needs to be done to significantly move the needle to ensure a greater percentage of funding is disbursed toward women-led startups and female founders.

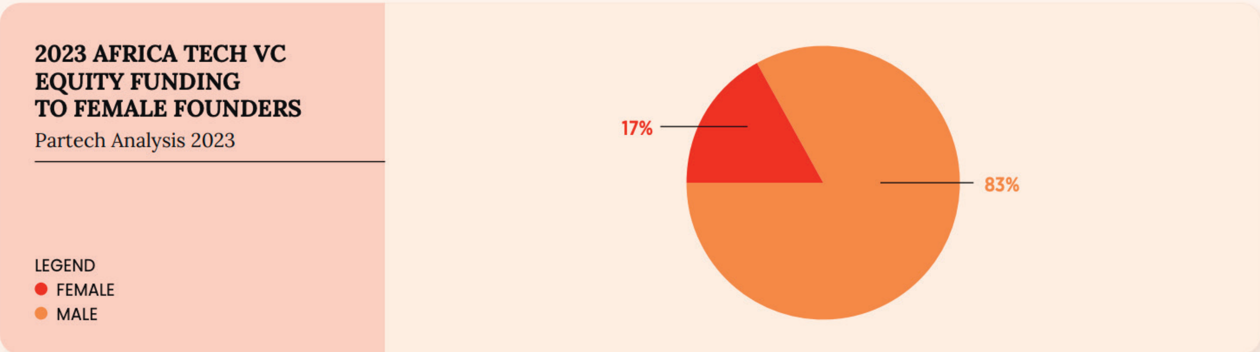


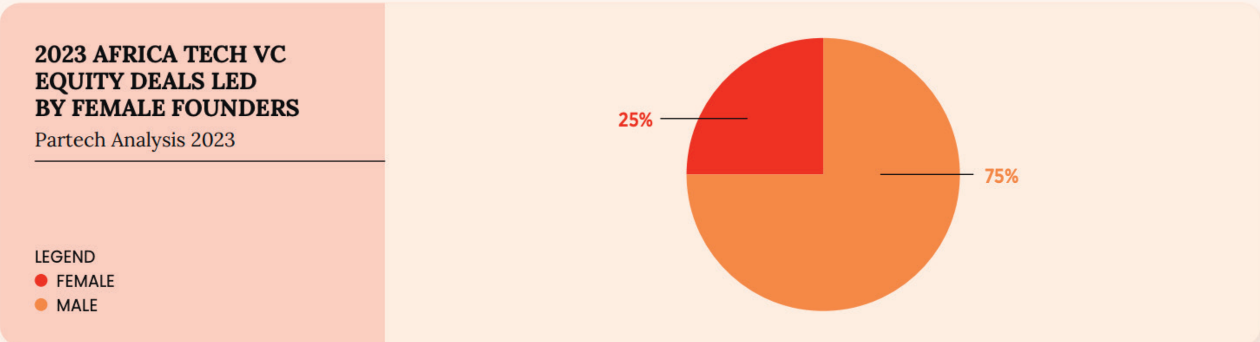
Partech Africa's Africa Tech Venture Capital 2023 report revealed that investors are becoming more aware that gender lens investing is a powerful impact investment strategy. Their data showed that female-led startups founded by women raised 25% of all equity deals in 2023, showing a 3% increase from the previous year and $325 million, which is 17% of the total equity funding went to female-founded startups.

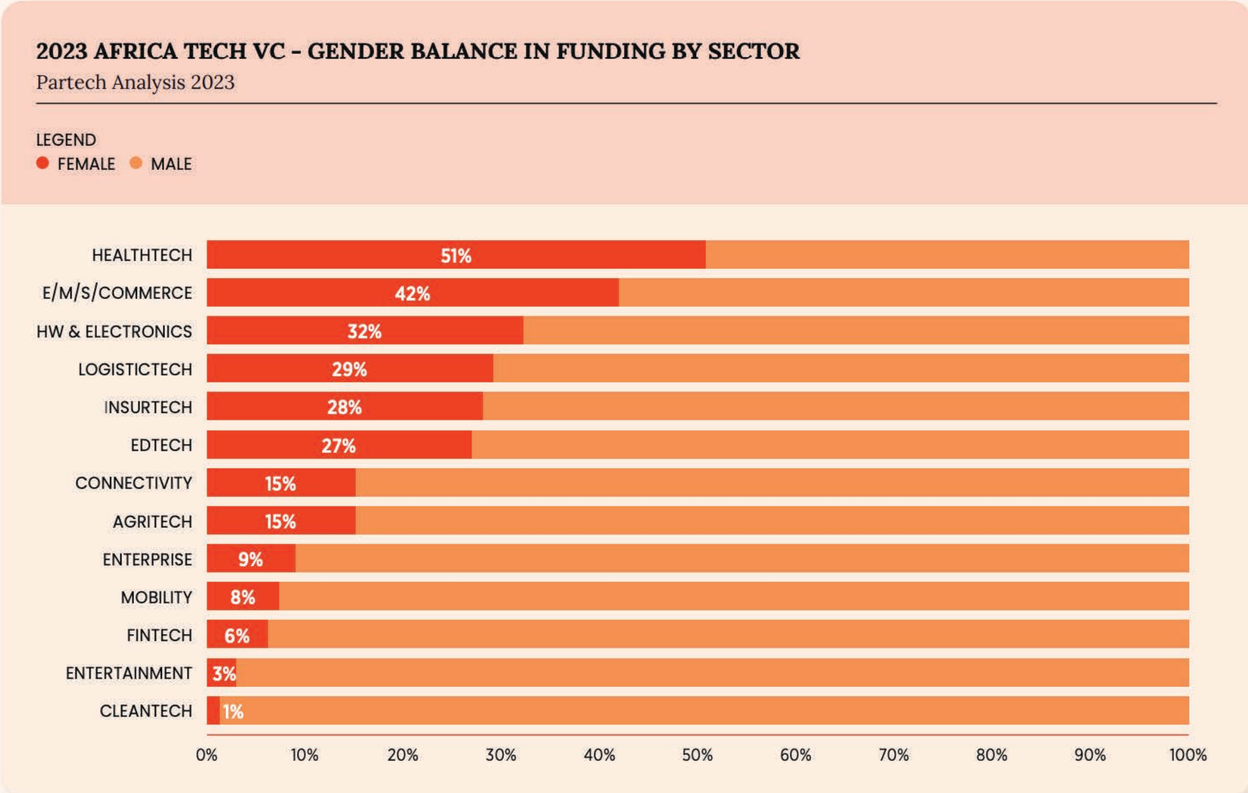
The report indicates that 81% of equity funding was concentrated in Seed stage while 14% were concentrated in Series A. However, female-led startups and female founders raised 28% ($147M) of all Seed funding, 18% ($100M) of all Series A funding, 19% ($125M) of all Series B funding, and 3% ($20M) of all growth stage funding.

When broken down by sector, it is very interesting to note that while fintech remains the sector with the largest share of equity funding, only 6% of that funding was distributed to female-led startups. These numbers highlight that more funding needs to be disbursed to female-led startups and founders operating within the Africa tech ecosystem.

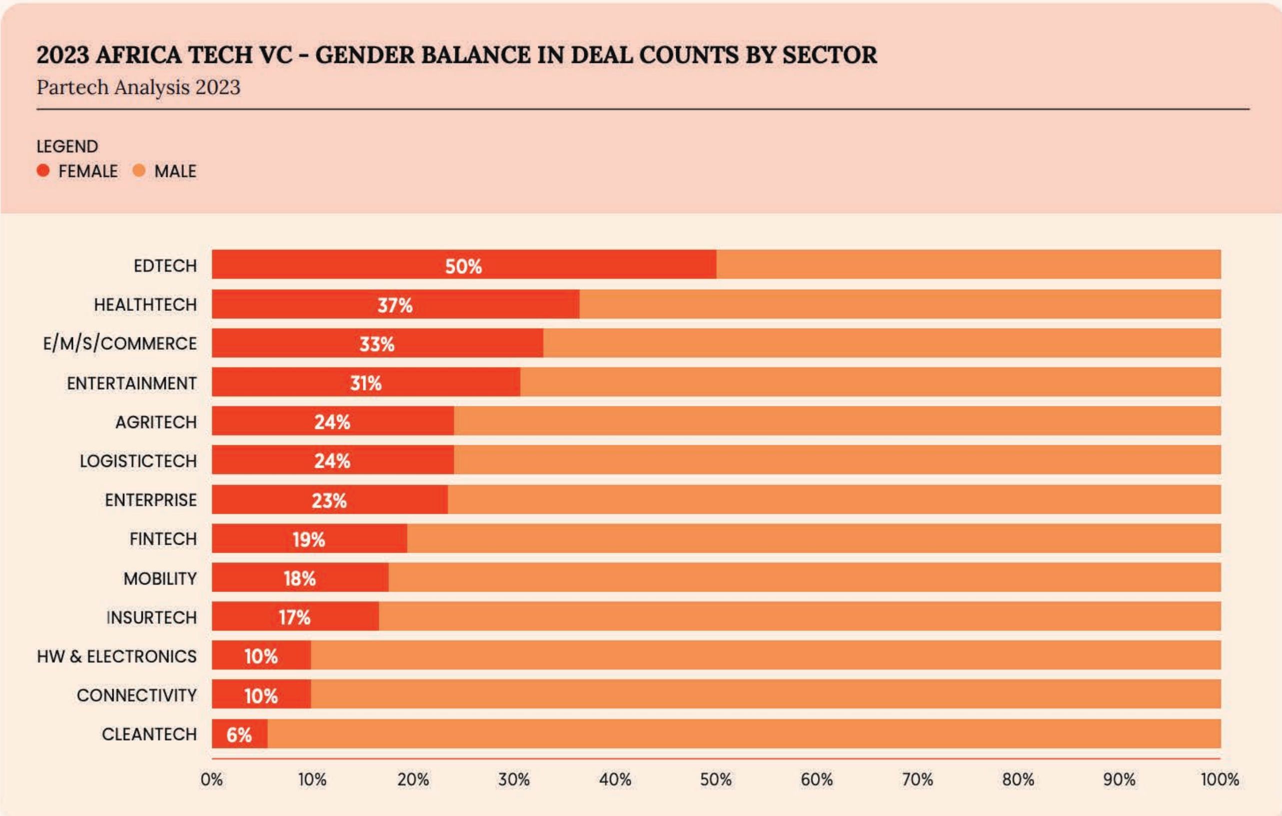
1. **In 2023, startups with female founders were responsible for securing $392M in equity funding for the year, representing 17% of overall funding amount, through 116 rounds representing 25% of the total deal count.**





2023 AFRICA TECH VC - GENDER BALANCE IN FUNDING BY SECTOR
Partech Analysis 2023
LEGEND
FEMALE
MALE
HEALTHTECH 51%
E/M/S/COMMERCE 42%
HW & ELECTRONICS 32%
LOGISTICTECH 29%
INSURTECH 28%
EDTECH 27%
CONNECTIVITY 15%
AGRITECH 15%
ENTERPRISE 9%
MOBILITY 8%
FINTECH 6%
ENTERTAINMENT 3%
CLEANTECH 1%
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

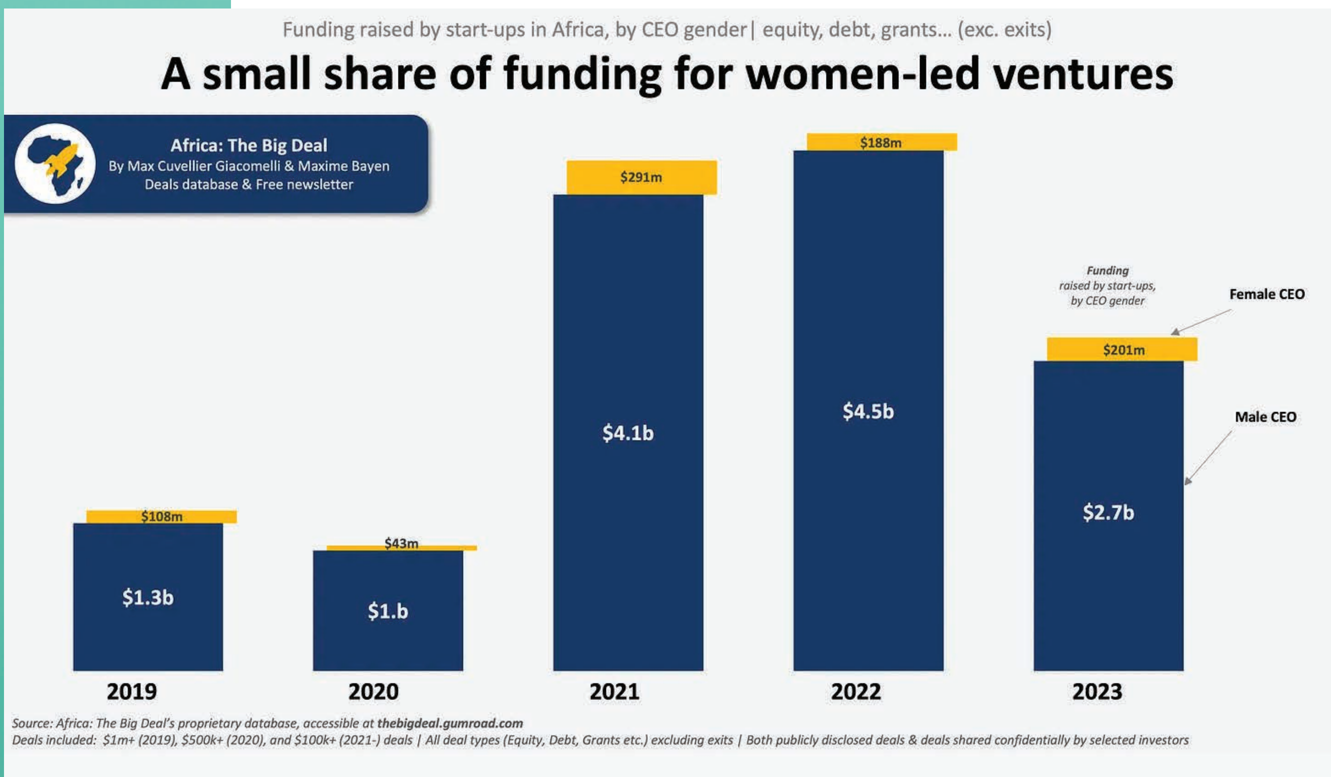



2023 AFRICA TECH VC - GENDER BALANCE IN DEAL COUNTS BY SECTOR
Partech Analysis 2023
LEGEND
FEMALE
MALE
EDTECH 50%
HEALTHTECH 37%
E/M/S/COMMERCE 33%
ENTERTAINMENT 31%
AGRITECH 24%
LOGISTICTECH 24%
ENTERPRISE 23%
FINTECH 19%
MOBILITY 18%
INSURTECH 17%
HW & ELECTRONICS 10%
CONNECTIVITY 10%
CLEANTECH 6%
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

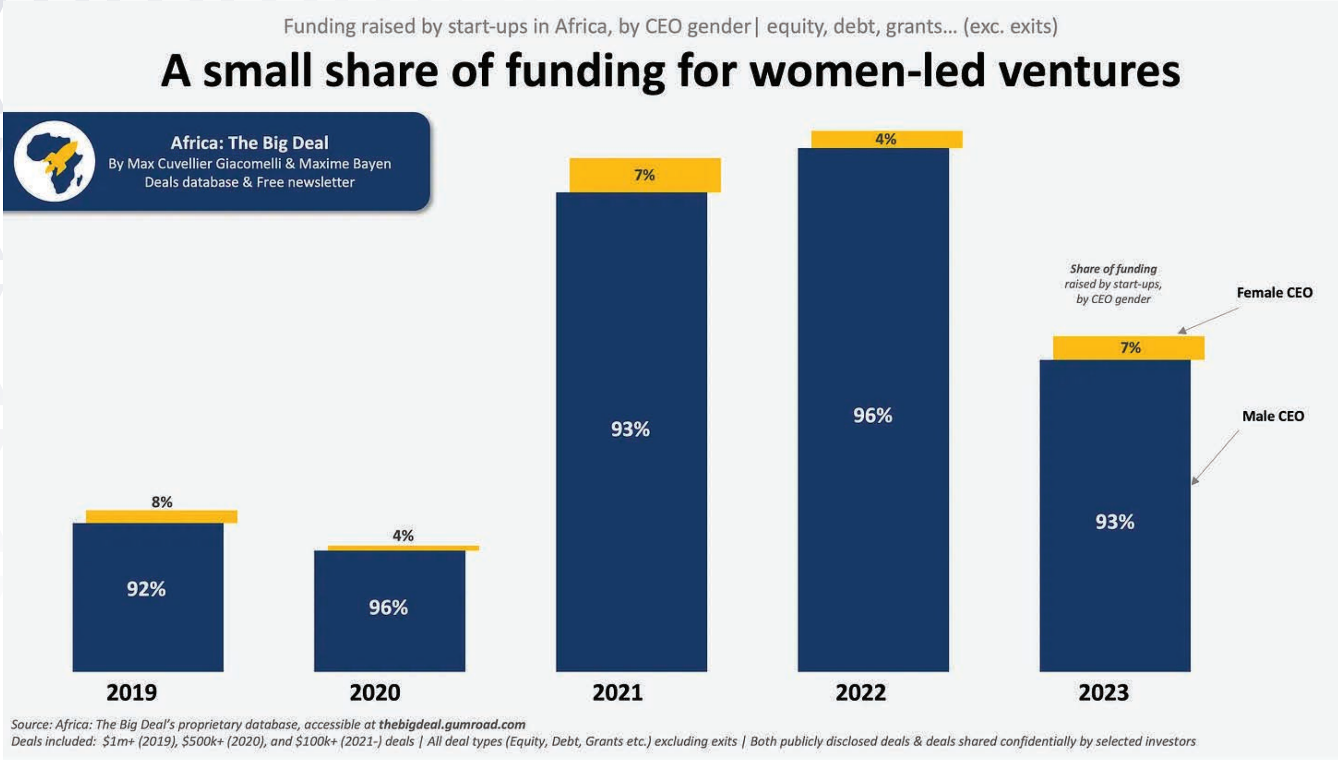
# 4.6 Women Need To Play A More Active Role In Leadership

The Africa: The Big Deal looked at whether the share of funding raised by women-led ventures increased or declined during 2022 and 2023. The changes are incremental, yet significant to report as a positive trend was seen between 2022 and 2023 where female CEOs raised 4% funding in 2022 and this increased to 7% in 2023, while the lion's share of funding went to male CEOs.

There is a deep and urgent need for increased visibility of female leaders within the African venture capital landscape and tech ecosystem to drive growth and attract a growing talent pool of women tech founders. We will begin to see a greater representation of women-led VC funds and women who are limited partners, general partners and founders within the landscape as women who have succeeded in these areas are needed for mentorship and to serve as role models for younger women who aspire to enter Africa's tech industry.




***The changes are incremental, yet significant to report as a positive trend was seen between 2022 and 2023***




***There is a deep and urgent need for increased visibility of female leaders within the African venture capital landscape and tech ecosystem to drive growth and attract a growing talent pool of women tech founders.***


**Scaling A More Resilient Women In Tech Pipeline In Africa Panel**

# 4.7 It's Time To Invest In Building A Gender Lens Strategy

These statistics about the percentage of funding that goes toward women fuelled many discussions around gender diversity as investors discussed the best way forward to address these concerns. The role of women in tech and the differences between funding for male founders versus female founders was a constant thread throughout the Women in Tech panel discussions at the AfricArena Summits throughout 2023, and rightly so as according to the ***2023 Global Gender Gap Index,*** no country in the world has achieved full gender parity.

These panels enabled key players in Africa's tech ecosystem to speak about investment in women, the role of women in tech on the African continent, how to effectively and efficiently scale a women in tech pipeline within the continent and the way forward to ensure Africa's female-led startups and female founders and entrepreneurs get the support they need in leading the continent forward into the digital revolution.

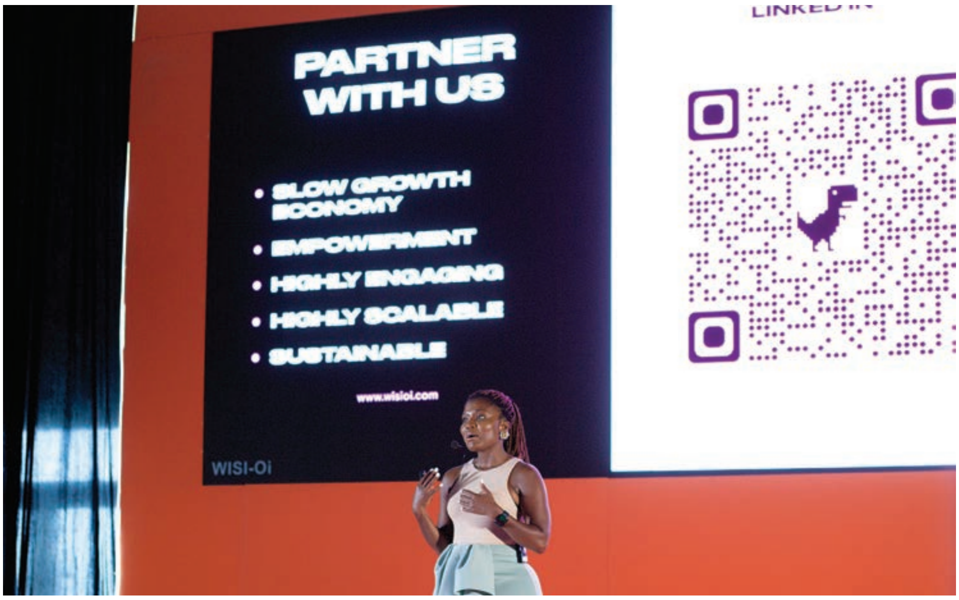

**Building Inclusion Within Women Green Economy Panel**

# 4.8 Building A Stronger, More Visible Women In Tech Pipeline

During the AfricArena Johannesburg Summit in March 2023, Tiffany Johnson, Global Business Development Manager at AWS Startups highlighted how investors have a vast opportunity to close the gender gap female founders face in accessing funds, particularly in Africa.

The ball is firmly in investors' courts to start making a difference. During this summit, AfricArena and AWS announced the new AWS sponsored Fem-Tech Startup Innovation Challenge as a strategic mechanism to reach more female founders across the African continent. Tiffany shared how AWS Startups created the URF Startup Business Development team to intensify their commitment to accelerate businesses led by underrepresented founders, including women, people of colour and people with African, Latin American or Native American heritage, and now they are focusing on women-led startups in Africa.

"The global gender gap in entrepreneurship and venture capital has been a significant concern in recent years, and this disparity is even more pronounced in Africa." She noted that a World Bank report indicated that "only $1 is invested in women for every $25 directed toward men within the African startup sphere." This imbalance not only hampers the potential of female entrepreneurs, but also impedes the growth of the entire African startup ecosystem," says Tiffany.



Tiffany pointed out that female-led and female founded tech startups that successfully secured venture capital despite the numerous challenges they face within the Africa tech ecosystem, such as Akiba Digital, Okra LifeBank, PiggyVest, and Ovamba Solutions among others are capable of creating significant impact in their respective industries.

These successful startups demonstrate the immense potential of female-led startups in Africa and how, in Tiffany's words, "supporting more women entrepreneurs will not only foster diversity and inclusion but also contribute to economic growth and social development across the continent."

Seeing and hearing successful stories about women leading change on the frontlines of Africa's digital transformation is what makes gender lens investing in Africa exciting as women become more visible and begin to secure a greater portion of funding in an environment that has traditionally seen men take the lion's share of funding.

The inaugural Scaling Fem-Tech in Southern Africa panel at the AfricArena Johannesburg Summit 2023 opened the floor for deeper conversations around the role of Women in Tech across the African continent, how to direct more funding toward women to enable Africa to achieve gender parity and what the most significant trends and developments are shaping Africa's Women in Tech sector.


**Scaling Fem-Tech In Southern Africa panel (Johannesburg, South Africa)**

4.9

# Breaking the Unconscious Gender Bias in the VC Landscape

It is important to note that while we still have conversations around gender bias, gender diversity, gender parity, gender equality, particularly within the investment landscape with the spotlight on gender lens investing, the road to making significant changes within this landscape is a long-term game. It's not going to happen overnight. In fact, the 2019 McKinsey Global Institute Report outlined that it would take 142 years for us to reach gender parity at the current pace.

If we want to achieve this goal in a shorter time frame, we need to accelerate the process through mapping and implementing strategic gender balance frameworks that will help us achieve our goals. This includes ensuring that female-led startups and female founders and co-founders have access to the facilities, support and materials they need for building and running a successful startup from pre-Seed through to A series.

# Over 20 Top Africa Focused Funds Commit To Gender Diversity Pledge

It must be said, we are beginning to make inroads in addressing the gender bias that is prevalent in the investing landscape through impact and accountability frameworks such as the ***Gender Diversity Pledge*** which the Digital Africa Collective group initiated in September 2023 during the SafariLex Nairobi Unconference and officially launched during the AfricArena Grand Summit 2023 event in partnership with Amazon Web Service. During the launch of this pledge, we announced that ***25 of the top Africa-focused funds*** came on board, signing the pledge and committed to deploy capital to female-led and female co-founded startups. In this way, funds who become signatories to the pledge are playing a pivotal role in creating an ecosystem that truly champions women, values diversity and unlock the full potential of African innovation across the continent. It is time for key players within the venture capital, investment, startup and tech ecosystem to stop paying lip service to diversity, and start implementing strategies and walk the talk.


**Scaling A More Resilient Women In Tech Pipeline In Africa panel (Cairo, Egypt)**

# 4.10 Diversity Drives Innovation and Growth

Diversity is critical as it drives innovation, growth and the female economy, as well as  ensuring the success of the fast-growing tech ecosystem. Vision is important, for where there is no vision for an ecosystem's future growth, the ecosystem will either struggle to flourish or perish. So, we need to reimagine a world where women are empowered to reach their full potential as founders, entrepreneurs, venture capitalists, LPs and GPs and make a significant impact on Africa's tech ecosystem.

As a global society, we must recognize that the world's geopolitical landscape is currently undergoing massive tectonic shifts that will in due time and season, impact global economics on a macroeconomics and microeconomics scale. This is where mentorship and coaching will prove invaluable within the female economy as these shifts will subsequently define and redefine the way we view economic growth, trade and innovation.

In navigating the African and global economic landscape throughout 2024 into 2025, we must be cognizant that factors such as the fact that this year is a bumper election year with many nations holding elections; the US interest rates; fluctuating oil prices and China's economic growth hold potential to change the venture capital and investment landscape as we approach a funding spring. In the midst of all these upheavals, it is clear that gender diversity and transformation goes hand in hand with digital transformation as women drive Africa's economy forward and investors need to open the funding gates for women so the African and global economies can benefit from the innovative, creative solutions women-led startups and founders bring to the table. The future is female, with women in tech leading the way.

SECTION 5

# The Future of Venture Capital Investing in Africa: A Look At The Digital Collective Africa

## VC Unconference

The VC Unconference is an annual series of gatherings and conversations held by investors from across the African continent, the UK, Europe and Asia - brought together by AfricArena.

It takes place as a deconstructed conference with no program or set speakers, but rather outcome-driven and structured conversations on collaborated topics that are aimed at continuously improving the process of investing in the African continent. Now in its fifth year of running, the AfricArena VC Unconference is a unique opportunity for an unfiltered exchange of innovative ideas and collaboration within the ecosystem (usually against the backdrop of some of nature's best sceneries).

In 2023 AfricArena hosted a VC Unconference at each of its four major regional tour events in Dakar, Egypt, Tunisia, Nairobi, Senegal and South Africa, bringing together over 200 investors from across the continent, Europe, the UK, America, and Asia.

# Digital Collective Africa

The Digital Collective Africa (DCA) was born out of the VC Unconferences. Participants in the Unconferences volunteer as members of the non-profit initiative Digital Collective Africa – to form working groups and execute action items discussed in unconference events. The DCA hosts an open-source platform where all output co-created by the members is shared. Members of the DCA work together on projects to limit friction and offer more transparency within the ecosystems.

In previous years the AfricArena events and DCA have worked on various topics such as building ecosystem bridges, valuation fundamentals, policy advocacy, due diligence, document standardization, governance and gender diversity.

The last year of unconference events were around ongoing and broader themes highlighted below - each covering key topics within the investment landscape in Africa.

# 5.1 Developing a Playbook for Investing and Scaling in Africa

## The Needs and Challenges to a Playbook for Investing in Africa

Africa is a big, diverse continent with vast opportunities to be explored. The idea for the development of a research and data-driven playbook for investing in Africa arose out of a need to improve the discovery, development and understanding of the investment landscape on the continent by entrepreneurs and investors in the ecosystem and across the world.

A single playbook for the continent would be a challenge to produce because of the differences and intricacies in each country/market. Challenges that were identified include cultural and language barriers, differing currencies and regulatory environments. The methodology developed for the playbook requires cross-border collaboration by participants in the ecosystem to gather information to deepen the research. To address the geographical and socio-economic challenges - the research methodology seeks to understand each country and capture the commonalities within African markets, towards a unified one-stop resource for investors and entrepreneurs interested in various African countries.

In our Dakar VC Unconference, West Africa's tech ecosystem was highlighted as nascent and untouched compared to East, North and South Africa. The ongoing project has thus begun with a focus on Francophone countries - with a mission to scale this work to other regions in Africa.

5.1.1

# Playbook for Investing and Scaling in Francophone Countries

Francophone countries were identified as a logical focus starting point for the study because of the ability to group the countries based on shared characteristics such as the use of the same currency (CFA), coordination among central banks, and regulatory and legal frameworks. These commonalities make it possible for the research to use Francophone West Africa as a coherent unit for a variety of purposes including market analysis, investment and business development.

To date, research has been done and produced for Senegal and Ivory Coast. The Research Reports for Senegal and Ivory Coast were shared at our Cape Town VC Unconference and give valuable insight on:

How the ecosystems are shaped in the present day and how they work best; mapping and ranking key stakeholders and their involvement in the countries' ecosystems; what you can find in them; the strengths and weaknesses; where the opportunities lie; how investors can adapt their approach to the markets; and how founders can foresee their extension.


## KEY OUTCOMES AND ACTIONS FOR THE PLAYBOOK ON INVESTING AND SCALING IN AFRICA

- **Explore** more points of commonality amongst the African countries to group them into ecosystems (for the research) based on those similarities.
- **Collaborate** on the collection of information through Anchors in each country to assist with data collection.
- **Engage** in a working group on funding and resources to scale work to develop reports for other African countries.

# 5.2 Investing in the Middle East

Not too far from Africa lies another region with growing opportunities for startups and investors – the Middle East. Investment in the Middle East and Gulf Cooperation Council (GCC) is a growing topic of interest as investors outside these regions seek to better understand the investment landscape, particularly from a fundraising perspective.

Sovereign Wealth Funds (SWFs) are the primary investors in the Middle East. While SWFs have been primarily non-tech focused (preferring real estate, oil and gas), there is a growing interest in investments in the tech sector and attracting tech talent to the region. The resistance to investing in technology is lessening as the Middle East and GCC go through a digital transformation, opening up to the world and embracing technology-driven solutions – especially in the UAE and Qatar.

There is more effort, interest and allocation of capital towards the growth of VC as an asset class. Venture building, accelerator and ecosystem building (especially innovation hubs) appeal to SWF investors' long-term vision for economic improvement within their region. It's this budding interest that African VCs and Startups need to leverage through ecosystem and relationship building.

## KEY ACTIONS TO ECOSYSTEM BUILDING AND INVESTMENT OPPORTUNITIES IN THE MIDDLE EAST

- VCs must familiarize themselves and build personal relationships with Family Offices, key investors and stakeholders in the Middle East and GCC region;
- look into the best of Africa's tech startups as potential providers of tech solutions to problems in the region to create interest in Africa's tech startup ecosystem;
- hold a 30-50-year vision of the Middle East and GCC region as a growing but slow-paced tech landscape; and
- leverage the power of branding and storytelling when pitching investment opportunities within the region.

# 5.3 Corporate Venturing

**"Corporates are at the heart of our ecosystem, acting as customers for the startups in our portfolio, as acquirers, as investors and as LPs" - Ben Marrel (Breega)**

Corporate venturing plays an important role in promoting innovation and the growth of the technology ecosystem by creating symbiotic relationships. Its benefits include bridging the gap between start-ups and established companies, facilitating knowledge transfer, capital provision, collaboration and market access.

There is a need to address the misalignment of interests that makes corporations less active or remain out of the ecosystem. Some challenges and strategies to improve the value proposition of the ecosystem to corporates were identified by experienced participants at our VC Unconferences:

- Solving a specific problem by asking what the tech ecosystem can do for corporates rather than the opposite because corporates are looking for innovative solutions to problems they encounter (InstaDeep story);
- shallow engagement and the use of innovation challenges conveying an image of innovation for brand image or marketing purposes rather than genuine interest and commitment;
- what attracts corporates to invest in the ecosystem is gaining market intelligence on emerging trends and customer needs to make informed decisions, as well as growing customer base through startup activity;
- other corporate-related points of misalignment arise from internal boards and structures, vendor lock-ins and corporate predatory behaviour.

5.3.1

# The role of VC between corporates and startups


VCs play a crucial role as the bridge between startups and traditional financing to fuel growth and promote success. This includes financing deals, mitigating risk, providing expertise, connecting with networks, conducting due diligence and facilitating exit plans that promote success. (Wave story)

Business case: InstaDeep's Success Story

Developing an AI that detects COVID-19 variants, Tunisian startup InstaDeep was bought out in early 2023 for 636 million euros by BioNTech, an acquisition that follows the successful collaboration between the two entities. Now a subsidiary of London-based BioNTech, InstaDeep will allow the laboratory to integrate the ever-evolving capabilities of artificial intelligence into its biotechnologies.

An alignment of interests that was driven by the founders' ability to understand the company's pain points and to provide its solution.

**Exit Strategy: How was Wave acquired?**

In a unique acquisition scenario, Wave was acquired by WorldRemit despite WorldRemit being unaware of Wave's existence and Wave not actively seeking a sale. An individual with extensive engagement with WorldRemit recognized a market opportunity that aligned with WorldRemit's needs and desire to penetrate the West African market. This person facilitated the engagement between WorldRemit and Wave, bringing them together to explore collaboration or acquisition possibilities. WorldRemit recognized the potential in Wave and initiated discussions, ultimately leading to the acquisition. This highlights the importance of individuals with market insight in identifying opportunities and facilitating strategic engagements between companies, a role that African VCs could play.

***VCs play a crucial role as the bridge between startups and traditional financing to fuel growth and promote success.***

# 5.4 Debt Financing

**African startups are increasingly choosing debt financing as a means to finance growth under an economic slowdown that makes equity funding more expensive and unsustainable over the long term.**

African startups are increasingly choosing debt financing as a means to finance growth under an economic slowdown that makes equity funding more expensive and unsustainable over the long term.

According to the Partech report, venture debt grew by 47% in 2023. The amount of debt raised reached $1.1 billion (+47% YoY) while equity funding during the same period experienced a 57% decline. Kenya leads debt funding to African startups. In 2022, startups in Kenya raised $608 million from 15 debt funding rounds. It was followed by Egypt ($350 million), Nigeria ($252 million) and South Africa ($77 million). While usage has been seen across 9 sectors, fintech (45%) and clean tech (39%) lead the debt financing on the continent.

The work for the ecosystem in venture debt is to continue to examine use cases for the right combination of debt and equity financing for each stage of development.

## Growth of debt funding in Africa

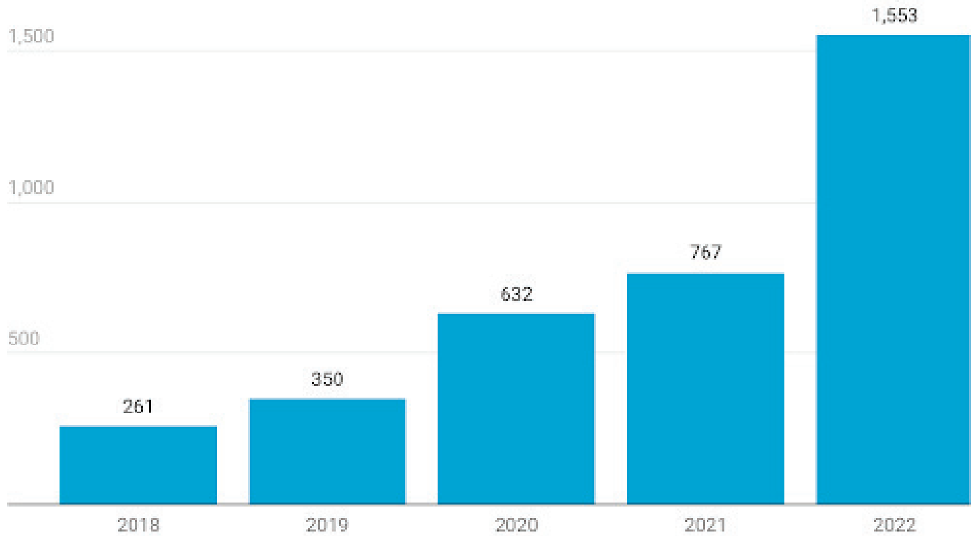



Chart: Techpoint Africa • Source: Partech Africa • Created with Datawrapper

| THE BENEFIT | THE CHALENGES |
|---|---|
| Reduced dilution of founder ownership | Startup burn rate |
| Effectively aligns cashflow and expenses | Longer terms than the VC time horizon |
| Secure funds for capital-intensive business | Business information risk and uncertainty |
| | Limits flexibility and strategy options |
| | High costs and interest rates |

The key is in the balance between debt and equity. By leveraging **debt for infrastructure financing** and **equity for technology development,** startups can efficiently build their businesses, create value for shareholders, and contribute to the overall ecosystem growth.

**Mitigating risk on the debt financing path**

**Role of public institutions:** Government institutions can engage in debt financing for startups to foster economic growth, support innovation and fill market gaps. These institutions can offer debt instruments tailored to the needs of startups and provide access to capital that may not be available from traditional lenders.

**Use Cases and Research:** Understanding the successes and failures of debt financing in various use cases is important. Researching and documenting these cases can provide valuable insights into when and how debt financing can be effective, particularly in cash-flow-positive scenarios where financing asset depreciation or working capital is the objective.

**Timing and Scale:** The timing and scale of debt financing depend on the stage of the startup. Equity financing is often necessary in the early stages to prove revenue generation potential, while debt financing may become more viable as the startup matures and establishes a positive cash flow.

**Variety of Instruments:** Debt financing is not a one-size-fits-all solution. Different types of debt instruments, such as straight debt, venture debt, revenue-based financing or convertible notes can be used depending on the specific needs and stage of the startup. The choice of instrument depends on factors like cash flow, asset financing requirements, and risk appetite.

## Debt funding by sector

| Sector | Funding (US$M) | Funding % | Deal count | Deal count % |
|---|---|---|---|---|
| Fintech | 691 | 45 | 32 | 45 |
| Cleantech | 605 | 39 | 16 | 23 |
| E/M/S/Commerce | 185 | 12 | 6 | 8 |
| Agritech | 25 | 2 | 5 | 7 |
| Logistics Tech | 23 | 2 | 5 | 7 |
| Enterprise | 11 | 1 | 3 | 4 |
| Healthtech | 9 | 1 | 2 | 3 |
| Insurtech | 3 | 0 | 1 | 1 |
| Mobility | 0 | 0 | 1 | 1 |

Table: Techpoint Africa • Source: Partech Africa • Created with Datawrapper

# 5.5 Fundraising in volatile markets

In our Egypt event, experienced first-time fund managers highlighted the challenge of fundraising for the first time on the continent because of a lack of adequate resources and support programs, limited data on LPs and market distribution and a lack of transparency in LP engagements. Another learning from this was that the best fund band size for first-time fund managers on the continent should not be too large nor too small to be successful - with the ideal range identified at $20 million -$40 million. Creating awareness and educating African fund managers about the geographical dispersion of capital (Europe and GCC), as well as anchor LPs were suggested in assisting first-time fund managers on the continent.

**How Do We Improve First-Time Fundraising on the African Continent?**

- Develop educational resources and support programs specifically for female-led and African first-time fund managers;
- build a network of advisors and mentors to support first-time fund managers in building a track record and raising larger funds;
- identify and engage with potential anchor LPs and co-investors to build a diverse investor base;
- research strategies to engage DFIs as investors;
- consider the costs and complications of domiciling a fund in Africa;
- Build trust networks, and an LP rating system to provide transparency on the best LPs and which ones to avoid; and organize an LP showcase or ecosystem tour.

# 5.6 Funding and Liquidity Options for African Tech Startups

## 5.6.1

### Tokenization and Alternative Exchange Listing

The upcoming disruption of early-stage investments through tokenization and Alternative Fund Methods (FLOATS) was discussed at our Cape Town VC Unconference.

There is a growing recognition and adaptation of tokenization (the process of issuing a digital representation of an asset on a blockchain) by notable financial players such as IMF, World Bank, BIS, HBSC and the UK. Tokenization will disrupt how investments are made and how startups fundraise. More importantly, there are opportunities such as broader investments, costs, fewer intermediaries and regulations, customer acquisition and crowdfunding methods that investors and startups in the ecosystem need to further explore and leverage these technologies.

The group also introduced and explored an Alternative Exchange Listing - a moonshot concept of an instrument that can combine the stock exchange, venture capital and SDG goals into a new asset class (where identified and qualified startups are the underlying value of the asset class) that becomes tradable. The concept would enable investments into a wide range of different categories, of investment and geographical alignment, from a good selection pool

5.6.2

## Exits and IPOs

Initiated in past VC Unconferences, there are continued efforts to improve on building not just investable but exitable startups on the African continent. VCs are encouraged to focus on delivering the best practices for exits based on actual success stories. There also has to be increased efforts to engage with corporates as a potential exit strategy through open innovation partnerships and roadshows. African ecosystem players must also further explore private equity as a potential path to exit to facilitate fluid deal flow between VC and PE portfolios.  Late-stage funding grows slowly on the continent and there are only a handful IPOs. Sentiment, engagement and collaboration with local exchanges were explored in our events to begin a journey to increasing the number of IPOs that come out of Africa.

5.6.3

## Making IPOs an Attainable Exit Option for African VC

Members of the London Stock Exchange Group and the United Kingdom Department of Trade & Investment attended our events again to further engage with our ecosystem on clarifying the understanding of Initial Public Offerings (IPOs) on and for the continent and to facilitate conversation on aligning interests and outcomes between founders, VCs and later-stage funders towards exits,in particular IPOs.

Misinformation, lack of data, policy reform, high costs and lack of liquidity, lack of educational resources, slow relationship building around facilitating exits on the Continent, and an overall improvement of the African narrative presented to a global audience were some of the challenges identified and discussed. More IPOs can be seen in Africa if there are collaborative efforts to

- Improve education, access and information through the sharing of good advice;
- align motivations in investments and governance;
- foster relationships around regulatory considerations with local exchanges;
- provide data-driven charity into numbers, volumes and listing options across exchanges; and
- build a good global narrative of Africa as an investment space.


**5.6.4**

## Key Action for Funding and Liquidity

The DCA has established a working group on Funding and Liquidity Options for African Tech Startups (FLOATS) to cross-explore opportunities on tokenization, Web 3.0, blockchain, crypto and emerging technologies; alternative exchange methods; and building exitable startups towards more IPOs in Africa.

# 5.7 The State of Investment in AI and Deep Tech in Africa

Investment in the revolutionary buzzword across the world, Artificial Intelligence (AI) -  is growing rapidly on the African continent. There are increasingly more Deep Tech and AI hubs springing up across the continent, particularly in Tunisia. Tunisia's success story with InstaDeep, a startup that delivers AI-powered decision-making systems for the Enterprise, is a testament to the potential of AI hubs in Africa to have a global impact, providing solutions to unique problems.

While there are still a lot of questions to be explored by the ecosystem around AI, especially with the race for control between countries like China and the US, this disruptive technology is a global wave that should be ridden by African investors and startups - by identifying and acting on its trends and opportunities.

## Trends and Opportunities

Some of the AI trends to look out for in 2024 are Generative AI, Ethical AI, Customer Service AI, Augmented Working, Low-ode and No-Code software engineering, Quantum AI, AI jobs, upskilling people for AI and AI regulations.

For investors, opportunities within the AI space can be defined by breaking down AI into the following three groups namely, Core AI (for long-term investing), Application AI (for medium-term investing) and Industry AI (short-term/immediate investing).

***Investment in the revolutionary buzzword across the world, Artificial Intelligence (AI) - is growing rapidly on the African continent.***

## Ai and Deep Tech risks to take into account

Correct resources, programs and support organizations need to be in place when investing in Africa's AI capabilities. The main risk and concern with AI now is that no one is programming where it's going and the bias built in these learning programs is easier to correct in early rather than late stages. Other risks identified include but are not limited to:

- Lack of AI transparency and explainability;
- job losses due to AI automation;
- social manipulation through AI algorithms;
- social surveillance using AI technology;
- lack of data privacy;
- bias such as racial profiling and gender discrimination due to AI;
- socioeconomic inequality as a result of AI-powered recruiting;
- weakened ethics and goodwill;
- weaponized military warfare through AI-fuelled autonomous weapons;
- financial crises due to AI algorithms;
- loss of human influence and empathy; and
- self-aware, super-intelligent AI.

## KEY ACTIONS

There is an urgency for Africa to prioritize the independent development of AI despite the lack of government support. Key actions include:

- Encourage African startups to focus on AI and leverage its potential to solve local, regional, continental and global problems;
- build the necessary infrastructure to support AI development and ensure access to computing power, such as semiconductor and quantum computing;
- shift the risk appetite of investors to back talent and support startups that are using AI to address industry-specific challenges;
- advocate for AI to be recognized as a priority sector in donor programs and projects and secure funding for AI-focused initiatives;
- promote prompt engineering as a skill that can be taught at the primary school level to prepare the younger generation for the AI-driven future;
- invest in programs that support semiconductor and quantum computing research and education, and push for government involvement in acquiring advanced computing technologies;.
- encourage African entrepreneurs to collaborate with global partners, leveraging their expertise and networks to drive success;
- foster an ecosystem that supports AI startups and creates opportunities for knowledge sharing and collaboration;
- emphasize the importance of data privacy and ethics in AI development to ensure fair and equitable outcomes; and
- create awareness and educate the public about AI, its potential benefits, and its implications for various industries and sectors.

# 5.8 Impact Investing

The growing interest of LPs in investing in climate technologies, impact and ESG has highlighted a major challenge - the lack of standardised definitions for these terms. LPs may have their interpretation and criteria for what constitutes climate tech, impact, or ESG investment. This lack of consistency creates discrepancies and challenges at the GP level.

## 5.8.1

# Existing initiatives to measure impact

**The International Finance Corporation**'s principles, customised toolkits and guidelines are the most relied on by DFIs.

**The 2x Challenge** aimed at mobilizing capital towards gender equality and women empowerment.

**The joint impact model is** where DFIs collaborate to establish a shared framework and methodology for evaluating the indirect impact of their investments. It involves DFIs agreeing on definitions, metrics, and measurement approaches to assess aspects such as job creation and emissions reduction.

## 5.8.2

# Standardizing terms and documents

Industry-wide efforts to bring standardization to the definitions and criteria used in climate tech, impact, and ESG investing are needed to address the challenge of discrepancies. Establishing a common framework that clearly defines these terms, along with specific metrics and indicators, would provide a reference point for the ecosystem. This would help align LPs and GPs, promote transparency, and facilitate more effective decision-making and reporting.

## KEY ACTIONS

- Establishment of clear definitions of climate-related investments (climate tech, sustainability, nature agenda);
- regular reassessment of target by tracking and collecting relevant metrics, aligning with the expectations of DFIs and adjusting report frequency accordingly;
- European and US perspectives on ESG requirements vary, and it is important to understand the intentions of the capital providers and align on LP and GP levels; and
- research LP/DFI agenda on climate tech and access capital investment allocation including venture debt. Currently, there is no standard framework at the DFI level, leading to friction between LPs, GPs, and entrepreneurs.

# 5.9 Governance

The importance and improvement of governance have been widely spoken about among investors and founders. As investment deals and the African startup ecosystem matures, more standardization, enforcement and commitment to collaboratively crafted Governance Standards are necessary for the ecosystem.

The series of discussions held throughout our events and working groups on this crucial issue have culminated in a Governance Toolkit for the ecosystem. **The Governance Toolkit is a crowd-sourced reference document that VCs and startups alike can refer back to, to standardize some of the governance expectations when interacting with each other.**

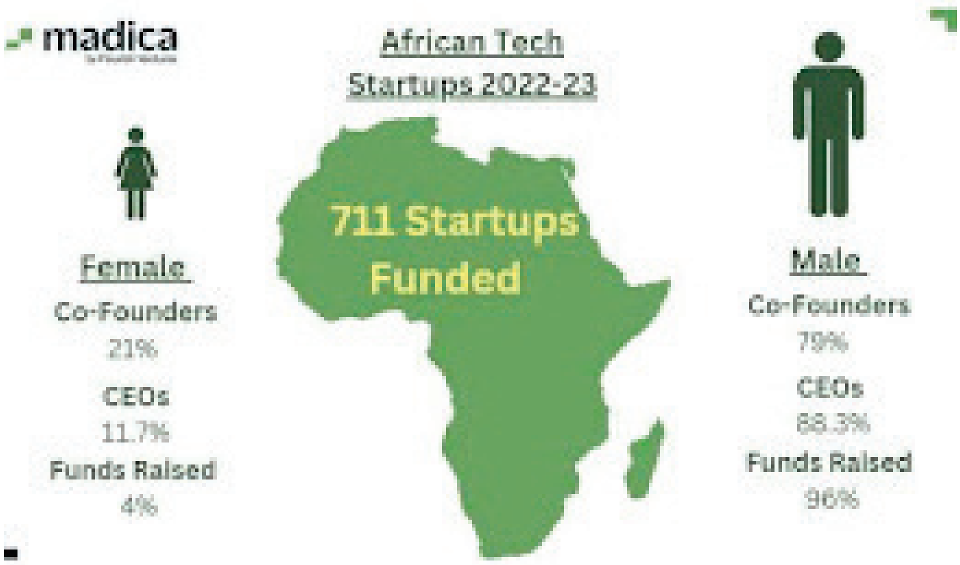
With 15 contributing organisations led by FMO (Dutch Entrepreneurial Bank), including Plug and Play, AfricArise Ventures and Kudos One, the Governance Toolkit has comprehensive and step-by-step guides on navigating boards, startup reporting and ESG considerations.

The final version of the Governance Toolkit will be launched in the first half of 2024.

# 5.10 Gender Diversity

**Disrupt Africa's *The Diversity Dividend: Exploring Gender Equality in the African Tech Ecosystem report* revealed that of the 711 funded African tech startups between 2022 and 2023, 149 (21%) had a female co-founder and only 83 (11.7%) had a female CEO. Others point to female-led startups in Africa raising $188m (4%) in 2022, while male-led ventures raised $4.6 billion (96%).**

The data on investment in female-led startups and the lack of female involvement across the investment value chain continues to need more engagement, collaboration and commitment towards improvement. This is another important topic that has been carried throughout the AfricArena VC Unconference throughout the year to mobilize progress towards real change.



5.10.1

## The Gender Diversity Pledge

The Gender Diversity Pledge is the DCA's ongoing proactive steps towards fostering diversity and inclusion within the tech ecosystem. It aims to drive positive change and to give African female stakeholders access to fairer proportions of venture capital and funding. This voluntary pledge is merely a starting point.

**Over *20 Top Investment Funds* have signed the Digital Collective Africa Gender Diversity Pledge, publicly recognised their commitment, and communicated the persentage of female-founded companies in their portfolios.**

Key actions to drive Gender Diversity for African Female Founders are as follows:

- Drive public endorsement, signing and public commitment to the pledge; and
- continue to collaborate on target developments and other capacity-building initiatives for female founders.

Digital Collective Africa: Join our work to impact the African Tech and Investments Ecosystem at ***https://www.digitalcollective.africa/***

SECTION 6

# Conclusion: Predicting the Future

6.1

## Key Predictions for 2024 and Beyond for Investment in African Tech Startups

As we had predicted in our 2022 State of Tech in Africa report, equity investment declined sequentially in 2023. The decline was however more acute than anticipated, and – in contrast with the resilience observed in 2022 in comparison with global VC markets – the 2023 performance was worse than in other geographies. Further to this, debt investment also declined sequentially in spite of strong growth observed in the past two years. In particular, the decline of investments from the US was very significant. In 2023 it was clear that the risk and rewards associated with investments in the African tech sector was most sensitive to the high interest rate environment and the weakness of African local currencies. The number of defaults of startups, particularly in Series A and B, is at a record level and valuations have been more than halved across all sectors, in particular fintech. The market has therefore seen a significant phase of consolidation which is likely nearing the inflection point.

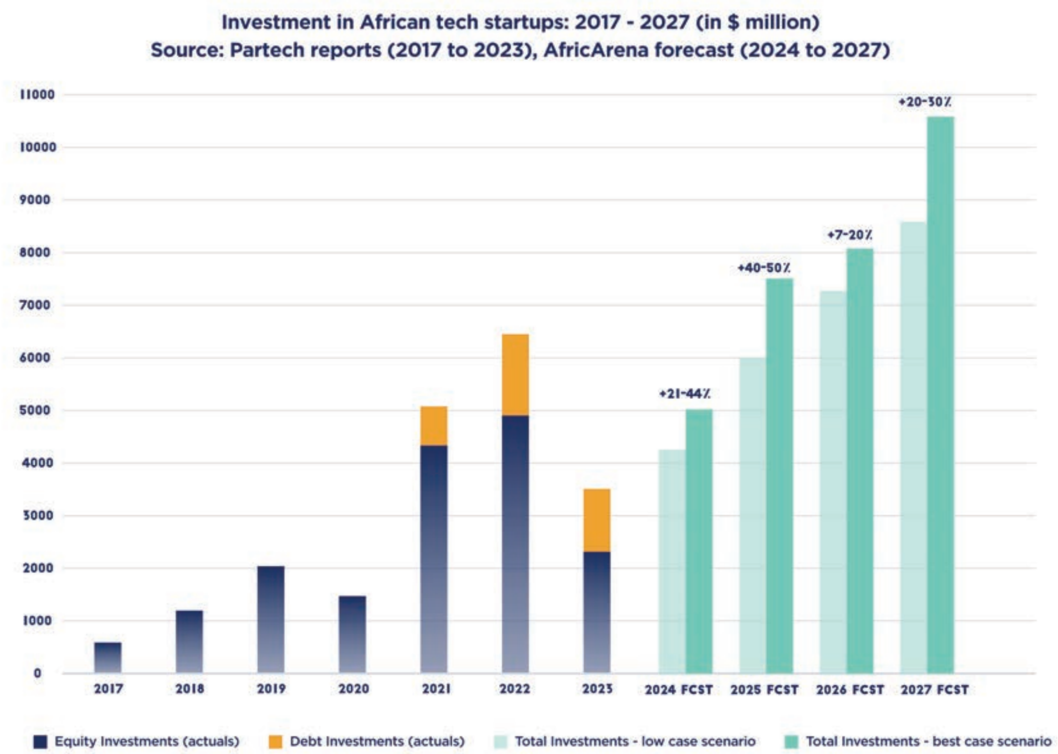
Our forecast is based on the analysis contained in this report, what we observed all year long on the 2023 AfricArena Tour and in our interaction with founders, ecosystem support organizations (ESOs) and investors, and informed by a model we have trained since 2019 including demographic, economic and market drivers.

While it is difficult to completely factor the impact of geopolitical developments and the US election year, it appears clear that the interest rates cycle will only reverse at best in the second half of 2024, with its associated impact in investment appetite in the high risk asset class that African VC is. Operating currencies of most African startups will also remain under pressure most of the year. Additionally, eyes will be on Africa this year as several countries across the continent hold elections, a key point to take into account as the results will influence investors' strategic investment decision-making process.

Our views at the time of writing this report (January 2024) are that 2024 will see a moderate rebound, and a total investment ranging from between $4.2 and

$5 billion. We foresee that both equity and debt will remain flat in the first half of the year, and expect the growth to resume sometime in Q2 2024. The driver for this are multiple from the amount of deployable capital in recently raised new funds (e.g. second funds for Partech, Novastar or TLcom Capital and new entrants such as Norrsken22), the fundraising cycle of startups needing to raise capital in 2024 (we expect the demand for capital to well exceed $5 billion), the continuous growth of capital intensive climate tech and energy startups and a return of US investors and corporates to the market. We further believe that we will see increased activity on the M&A side, in particular an increased number of acquisitions of startups by corporations as part of their innovation plan or other startups as part of their scale-up strategies around the continent, particularly in fintech.

Our model for subsequent years, indicates an upper range of $7.5 billion in 2025 with an accelerated rebound of the market and an expected 40% - 50% growth, driven in part by return of North American investors post US elections. but will soften in 2026 with another slower cycle from mid 2026. Total investment may exceed for the first time $10 billion by 2027. While the growth in these numbers may appear significant, it should be noted that this remains a very small fraction of the overall VC activity in tech globally and as of 2023, less than 1% of the global VC market and $3 per capita.



Amongst the long-term factors supporting our forecast:

- A number of major initiatives from the US (Prosper Africa, and the associated efforts of USAID), Europe (programs such as Horizon 2020), UK, Japan and South Korea. Our research indicates that over $60 million will pour annually from these programs into the African tech ecosystem (ESOs, VC firms and directly to startups);
- an increased allocation of capital from corporates to their corporate VC activities and, most importantly to acquisitions of African tech companies;
- The increasing effect of successful exits and IPOs on angel investments and entrepreneur-led seed rounds to support new ventures in early stage rounds;
- a gradual increase in valuations, particularly in regions such as West and North Africa (in particular francophone Africa); and
- the adoption of regulatory reforms (startup acts and equivalent) to address the competitive shortfalls of many countries in the continent, such as Kenya, Nigeria, Morocco, Tanzania, and South Africa. As previously outlined we expect Kenya and Nigeria (driven by a dynamic new minister coming from the ecosystem), to adopt such reforms in 2024 and South Africa should follow by 2025. Rwanda will continue to position as a leader in the field and will further improve its position as on shore financial center for the African tech ecosystem, competing with Mauritius.

Africa will continue to rise - *Stay Hungry, Stay Foolish*

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# GLOSSARY



**Accelerator:** A structure that offers cohort-based and fixed term programmes to support growth stage ventures to achieve scalability and self- sufficiency. Accelerators offer advisory services, mentorship, workshops, networks and usually investments in cash or in-kind.

**Accounting Rate of Return (ARR):** The expected percentage rate of return on an investment, compared to the initial investment's cost. (Compare with Return on investment)

**Agritech:** A portmanteau of "agriculture" and "technology", which refers to technology-enabled products or services geared towards better agricultural practices and outputs.

**Angel Investor:** An individual investor who uses their own money to fund an early stage business.

**Artificial Intelligence (AI):** the simulation of human intelligence processes by machines, especially computer systems. Includes expert systems, natural language processing, speech recognition and machine vision.

**Blockchain:** A decentralized, distributed and public digital ledger that is used to record transactions across many computers.

**Bootstrap:** The founder(s) of a business using their personal capital to start the business and the money coming from the sales to grow it.

**Climate Tech:** technologies that are explicitly focused on reducing GHG emissions, or addressing the impacts of global warming.

**Cleantech** narrows the focus to reducing pollution and embracing clean energy sources.

**Corporate Venture Capital (CVC):** Corporate venture capital is the investment of corporate funds directly in external startup companies.

**Development Finance Institution (DFI):** A financial institution that provides risk capital for economic development projects on a non commercial basis.

**Early Stage:** A startup in its early days, usually with little or no funding.

**Ecosystem:** A dynamic framework consisting of a set of stakeholders - startups, hubs, investors, academic institutions, public institutions, corporates - who interact and engage with each other to seize new opportunities, support innovation and strengthen the overall business environment for entities at different stages, sectors, and geographical locations.

**Ecosystem Support Organizations (ESOs):** a diverse set of organizations including accelerators, incubators, co-working spaces and other startup development programs that help to cultivate fertile ground for entrepreneurs to grow and scale.

**Edtech:** new hardware and software programs used in education; includes the theories of learning and increasing research into what are the most effective means of teaching people new knowledge and skills.

**Embedded Finance:** the integration of financial services into non-financial offerings through APIs and platforms.

# GLOSSARY

E - L

**ESG:** Environmental, Social, and Governance. It is a framework used toevaluate a company's sustainability and ethical impact.

**FinTech:** A portmanteau of "financial" and "technology" which refers to any sort of technology used to support or enable financial-related services.

**Founder:** The initial person(s) that start a business.

**Fund Manager:** A person or a legal entity who determines the investment strategy and manages the investment of money on behalf of an institution or group of people.

**Francophone:** a group of states and member governments and observers that share French as a common language, as well as values in common.

**GDP per capita:** The division of a country's GDP distributed across the population of the country.

**Gender Diversity:** equitable or fair representation of people of different genders. It most commonly refers to an equitable ratio of men and women but also includes people of non-binary genders.

**General Partner (GP):** A general partner in a VC fund manages the deployment of funds into investments in startups and the day-to-day operations on running the VC firm. (Compare to Limited Partner)

**Gross Domestic Product (GDP):** The total value of goods produced and services provided in a country during one year.

**Healthtech (or e-health):** A portmanteau of "healthcare" and "technology" which refers to the use of technology (databases, applications,

**Impact investing:** Investments made into companies/ organizations/funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.

**Incubator:** A support structure that helps early-stage startups transform from idea to venture, by offering advisory services, resources, workshops and hands-on training that guide entrepreneurs in defining and refining their business models and value propositions with the goal of becoming sustainable businesses.

**IPO:** Initial Public Offering allows a private corporation to raise equity capital  from public investors by offering their shares to the public in a new stock issuance for the first time.

**Index:** a tool for measuring change in a group of representative data

**Interest Rate Cycles:** the regular pattern of interest rates rising and falling over time.

**Limited Partner (LP):** A limited partner in a VC fund transfers to the general partners the assets under management for a limited duration in order to deploy them through investments in startups. Limited partners are not commited operationally in the management of the fund. They are usually public institutions, pensions funds, development finance institutions, etc. (Compare to General Partner)

# GLOSSARY

M - V

**M&A (Merger and Acquisition):** A general term used to describe the consolidation of companies or assets through various types of financial transactions, including mergers, acquisitions, consolidations, tender offers, purchase of assets, and management acquisitions.

**Minimum Viable Product (MVP):** A product with enough features to attract early-adopter customers and validate a product idea early in the product development cycle.

**Off-grid:** Technologies/products/facilities that do not rely on connectivity to a main electric grid to function, but rather, use alternative power options.

**Open Innovation:** The use of purposive inflows and outflows of knowledge and resources to accelerate internal innovation.

**Open Innovation Challenge:** Part of an Open Innovation program. Its goal is to source and connect startups with corporates.

**Private Equity (PE):** An alternative investment class and consists of capital that is not listed on a public exchange.

**Proof of Concept (PoC):** The materialization of a certain method or idea in order to demonstrate its feasibility.

**Return on Investment (ROI):** The measure of the amount of return on a particular investment, relative to the investment's cost. (Compare with Accounting Rate of Return)

**Seed Funding:** Early stage of funding where the startup might not even have an MVP.

**Series A Funding:** Follows the Seed Funding, usually enables the scaling phase of the business.

**Startup:** A company using technology to bring new products or services to the market. In our definition, it covers only companies being headquartered in or with most of its operations in Africa.

**Startup Act:** A legislation that is intended to encourage the growth and viability of startup companies.

**Tech Hub:** A centre, structure or network comprising actors supporting or facilitating the development of an environment conducive to entrepreneurship or innovation (e.g. incubator, accelerator, co- working spaces, etc.).

**Telemedicine:** the use of electronic information to communicate technologies to provide and support healthcare when distance separates the participants.

**Ticket:** "Ticket size" refers to the amount of money that goes into an investment transaction.

**Venture Capital (VC):** A venture capital firm is a specific type of private equity investment firm that focuses on high- growth potential, risky and innovative businesses. The expected above-average returns compensate for the high level of risk associated. It usually takes the form of an equity stake in exchange of cash money.